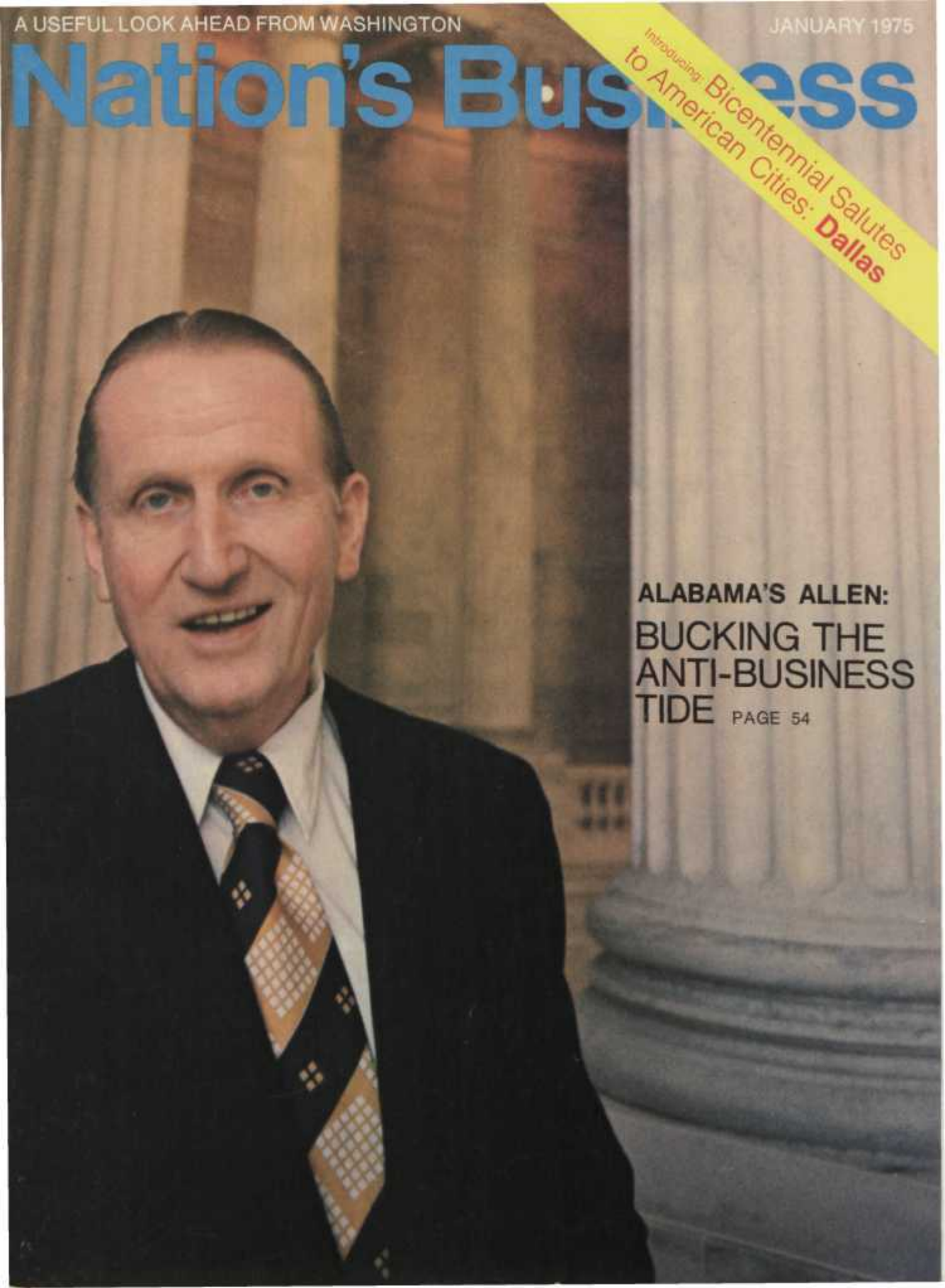
A USEFUL LOOK AHEAD FROM WASHINGTON

JANUARY 1975

Nation's Business

Introducing: Bicentennial Salutes to American Cities: **Dallas**



ALABAMA'S ALLEN:

BUCKING THE ANTI-BUSINESS TIDE

PAGE 54

There's only one 2-year service plan offered with an American compact. We wrote it.

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Bill Waller
William L. Waller
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Nation's Business

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MEMO FROM THE EDITOR

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D.C. 20062

You'll find something new on page 25.

It's the first in a series of features saluting major American cities.

In anticipation of the 200th birthday of the United States, *Nation's Business* plans to publish these salutes each month during 1975 and perhaps during the bicentennial year of 1976 itself. Each will feature the achievements of one city, people who made it great, and its contribution to the building of America.



Mr. Wooldridge (left), Mr. Cooley and Mr. Perry.

Every town or city has a reason for being.

It has a reason for becoming a lusty, booming place. Or it has a reason for becoming a peaceful, fairly static place.

Many towns have grown into cities. And cities that continue to grow have a reason for doing so.

What, therefore, makes a city great? What makes it a good city for its people and a good city for business?

The editors of *Nation's Business* and the magazine's publisher, the Chamber of Commerce of the United States, believe that business and our system of free enterprise have made this nation great. We believe that business built America.

As the country begins to focus its attention on the achievements of its first 200 years, *Nation's Business* will spotlight the contributions of *business*.

The concept of a Bicentennial Salute to 12 important cities takes a grass roots approach to the significance of business for the nation's growth. The hard work of local businessmen and chambers of commerce through the years—their struggles and accomplishments—as well as their plans for the future will be prominently featured.

We introduce this series with a salute to Dallas. This legendary Texas city is a prime example of the American competitive enterprise system. As one of its executives remarked, "Dallas is a place where a businessman is not only allowed to make a profit, he's expected to do so."

Furthermore, Dallas has an excellent Chamber of Commerce, whose president is David W. Cooley and whose chairman is Russell H. Perry (see photo). They provided us with all-out cooperation in preparing our article.

• • •

Speaking of cooperation, it's the willingness of hundreds of busy executives to answer our questionnaires that enables us to bring you, four times a year, meaningful reports on the state and future state of the nation's economy.

Our 53rd Outlook Survey (page 20) shows something curious, indeed.

Four out of five executives expect their own companies' volumes to improve in 1975. Almost two out of three expect their own firms' profits to equal, or exceed, 1974 profits. Yet, for every one who expects the general economy to rise during the next six months, there are 20 who forecast decline.

Though some companies are feeling a decided pinch, others obviously are not.

One thing, however, that just about all suffer from is inflation, and not everyone is happy about what's being done to cope with it. Reduce government spending is one answer, of course. Increase productivity of the nation's labor force is another.

The big question is whether these steps will be taken, and when.

Jack Wooldridge

Introducing the new Allstate Businessowners Deluxe Policy.

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BY JOHN COSTELLO
Associate Editor

And a Happy New Year

Cheer up—things could be worse.

Here were some headlined developments last New Year's Day:

• Libya, Indonesia, Nigeria and Bolivia hike crude oil prices 60 to 80 per cent. It's a move to catch up with Mideast sheiks.

• Motorists face long lines, short tempers and "No Gas" signs as they try to fill up over the holidays.

• The Dow Jones Industrial Average, at 850.86, teeters on the brink. Avon opens the year at 63¾, Xerox at 122¾, DuPont at 159, and IBM at 246¾.

• Winter's worst blizzard hammers the mercury down to 45 below zero at McGrath, Minn., and to 14 above at Midland, Texas.

Things were bound to improve—right?

Consider these new developments:

• Fifty-three per cent of U.S. workers now feel they're underpaid. Three out of four think a strike's the right response. But a "sizable group," says the Survey Research Center, Ann Arbor, Mich., also leans toward simply goofing off.

Why? SRC blames inflation.

• The Bureau of Labor Statistics took a look ahead. It sees a "rather sharp slowdown in economic growth." When? Starting about 1978. Lasting how long? Into the 1980s.

Why? A shrinking birth rate and fewer Americans, 16 and up, entering the work force.

• Big-spending Washington, conscience-stricken because of galloping price rises, vows to Whip Inflation Now by pinching pennies. Then, dry-eyed, it launches a new multi-billion-dollar subsidy, mostly for big city mass transit. Initial cost: $3.9 billion.

One critic's view of the new federal giveaway: "A bottomless pit."

• The National Council on Radiation Protection and Measurements issues a manual—"Exposure to Radiation in an Emergency." It tells you how to protect yourself in case Moscow drops the H-bomb.

Feel better, now?

Some winners in 1975

It's blue skies for some guys.

For example, makers of calculators and accounting machines.

They should ring up record sales this year, Commerce Department says.

Their shipments should hit $3.1 billion—up 61 per cent over last year's $1.9 billion.

That's tops for the 224 industries reviewed in the Department's "U.S. Industrial Outlook 1975." Other leaders:

Industry	Value of Shipments (In Billions)		Per Cent Increase
	1974	1975	
Fertilizers—nitrogenous	$1.30	$1.75	35
Beet sugar	$1.51	$1.97	30
Malt	$0.40	$0.53	30
Fertilizers—phosphatic	$1.53	$1.86	22
Oil field machinery	$2.08	$2.52	21

Seven industries should rack up a gain of 20 per cent, "Outlook" says: Shortening, table oils, margarine, etc.; soybean oil mills; cane sugar refining; cane sugar, except refining; chocolate and cocoa products; cottonseed oil mills; other vegetable oil mills.

In fact, it forecasts, all but six of 182 manufacturing industries will do as well, saleswise, as in 1974—or better. And all 42 nonmanufacturing industries, it says, should have a



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Executive Trends *continued*

better year—4 to 17 per cent—than last.

Its assumptions don't include a new Israeli-Arab war—and another oil boycott.

In that case, all bets are off.

If you're looking for a site abroad

In countries like Belgium, Ireland —Eire, not Northern Ireland—and Nicaragua, the investment climate rates excellent.

Likewise in Tunisia, and a place that's not exactly a household word —the Central African Republic.

That's what the State Department says.

The information's in a new publication, "The Climate for Investment Abroad," compiled by the Department and published by the Chamber of Commerce of the United States ($2.50), Washington, D.C. 20062. It gives the lowdown on 132 countries in Africa, Asia, Europe and the Western Hemisphere.

It may hold some surprises for you.

Take the Netherlands Antilles. "The foreign investment climate [there]," says the guide, "continues to be among the most attractive in the Caribbean."

In Europe, Spain's policy is "favorable and nondiscriminatory," while Sweden's "can best be described as neutral."

Behind the Iron Curtain, only Romania encourages foreign investment.

Outside it, only Red China and Burma turn thumbs down on "all forms" of such ventures.

How to find an executive recruiter

Nolda Smith no longer scouts talent for the White House. She's married and retired.

But Brenda Tausend is still an active recruiter with Booz, Allen & Hamilton, Inc., New York, N.Y.

And Inge Finnegan, Theodore Barry & Associates, Los Angeles, Calif., is busy as ever tracking down executives for corporate clients.

All three are listed in the latest "Directory of Executive Recruiters" (Consultants News, Fitzwilliam, N.H., $5).

"In the last five years," says publisher James H. Kennedy, "the number of recruiting firms has increased 50 per cent.

"But the number of women recruiters has tripled."

The directory lists some 700 firms —alphabetically and by area. It indicates, where possible, minimum salary openings they'll handle. Also, areas, if any, that they specialize in —like the textile industry or Wall Street executives.

Women recruiters are listed separately.

"The Handbook of Executive Search" ($25), by the same publisher, can help you pick a recruiter wisely. It also spells out what he can do and can't.

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BY JAMES J. KILPATRICK

The Case Against ERA

Proponents of "women's liberation" will mount a determined drive in 1975 to win ratification of the pending Equal Rights Amendment to the Constitution. Because of legislative changes resulting from the November elections, the effort may well succeed. State legislators would be well-advised, in my own view, to stop, look and listen before they vote to write this amendment into the supreme law of our land.

The case in favor of ERA has been eloquently argued both in Congress and in the 33 states that already have voted to ratify. In coming months such organizations as the League of Women Voters and the Coalition of Labor Union Women will be lobbying hard for the proposition. The National Federation of Business and Professional Women's Clubs has raised $250,000 to finance a professionally managed campaign in eight target states.

As an abstract principle, the idea that "women should have the same rights as men" has undeniable political appeal.

The case against ERA has found few spokesmen and little organized effort. Mrs. Phyllis Schlafly's "Stop ERA Movement" is long on spunk but short on numbers. The opposition case merits a thoughtful hearing. In the opponents' view, the amendment—attractive as it seems at first glance—is (1) unnecessary, (2) uncertain and (3) undesirable. These arguments cannot be dismissed out of hand.

This amendment would write into the Constitution a single laconic sentence: "Equality of rights under the law shall not be denied or abridged by the United States or by any state on account of sex." If it is ratified by 38 states, the amendment would become operative two years later. Two states (Nebraska and Tennessee) have ratified but have attempted to rescind their approval. These rescissions probably are in vain. While the Supreme Court never has tackled the question squarely, the Court indicated in *Leser* v. *Garnett* (1922) and again in *Coleman* v. *Miller* (1939) that once a state's ratification is certified officially, judicial challenge, at least, is not likely to succeed.

In any event, whether five more or seven more states are needed, proponents are looking to North Carolina, North Dakota, Illinois, Missouri, Florida, Indiana, Nevada, Oklahoma and Arizona in the coming year. They have reason to be hopeful. In North Carolina six state Senators who once voted No on ERA have lost their seats; so have eight members of the North Carolina House. In North Dakota, where Democrats command solid majorities in both houses, proponents believe they can count 32 of the 50 state Senators and 55 of the 102 state Representatives. In Illinois, four legislators who are anti have been replaced by candidates pledged to vote in favor of ratification. In Missouri, Democratic caucuses indicate strong sentiment for approval.

In the face of this apparent trend, opponents interpose their three-point case:

1. *The amendment is unnecessary.* It is a sound proposition that constitutional amendment should be viewed as a political act of last resort. Ordinary statutes come and go; Supreme Court decisions can be modified or reversed; but the pending Equal Rights Amendment, once ratified, is there to stay. If time should demonstrate the unwisdom or the undesirability of ERA, only a monumental effort could achieve its repeal. Ratification is radical surgery. If any other effective way can be found to cure a political illness, surely the alternatives ought first to be tried.

Such alternative remedies already are being applied. The principal complaint of the women's liberationists goes to discrimination in employment. But Congress already has prohibited discrimination in employment by reason of sex. The Equal Employment Opportunity Commission labors unceasingly to enforce the law. Over the past 10 years the federal statute that established EEOC has produced a virtual revolution in employment practices, and the federal statute has been echoed in scores of remedial statutes at the state level. One by one, outdated state laws are being repealed.

Doubtless, many women still suffer discrimination in employment, but their problems, for the most part, are not matters of law but rather of law enforcement.

Case by case, the Supreme Court slowly is writing ERA into the Constitution anyhow. In *Reed* v. *Reed* the Court in 1971 nullified an Idaho probate law which said that in the administration of certain estates, "males must be preferred to females." Without a dissenting vote, the Court held the law void: "The

The Case Against ERA *continued*

arbitrary preference cannot stand in the face of the Fourteenth Amendment's command that no state deny the equal protection of the laws to any person within its jurisdiction. . . . To give a mandatory preference to members of either sex over members of the other . . . is to make the very kind of arbitrary legislative choice forbidden by the Equal Protection Clause."

In 1972 the Court buttressed its position. In one case, the Court forbade Massachusetts to discriminate against single persons. In another, it voted eight to one against a Louisiana law discriminating against illegitimate children. In a third, it nullified an Illinois child custody law. In the spring of 1973, Mr. Justice Brennan wrote the Court's eight-to-one decision, in *Frontiero* v. *Richardson*, having to do with unequal pay allowances for women in the armed forces. Classifications based upon sex, said the Court, are "inherently suspect."

This judicial trend continues. The Court has prohibited newspapers from using sexual classifications for "help wanted" ads. It has prohibited school boards from discriminating against pregnant teachers. In June of 1974 the Court put an end to unequal pay for men and women inspectors in a glass manufacturing company. During its current term, the Court will consider a challenge to a Navy regulation that discriminates between male and female officers. The Court will review a Utah statute that fixes the age of minority at 18 for women and 21 for men. The Court also will consider another Utah statute, this one dealing with child custody, that provides a "natural presumption that the mother is best suited to care for young children." Court observers are confident that the trends developed in *Reed* and *Frontiero* will be pursued.

The point is that by legislative enactment and by court decision, most of the invidious and unwarranted discrimination against women can be corrected. If the point is well taken, the radical surgery of an amendment to the Constitution can be avoided.

2. *The amendment is uncertain.* More than a hundred years have passed since there has been a constitutional amendment as vague and ambiguous as the pending ERA. As it now stands, the Constitution, when it speaks of "rights," speaks almost without exception in specific terms: There is the right of the people peaceably to assemble, the right of the people to keep and bear arms, the right of the people to be secure against unreasonable searches and seizures.

We know of the right to a speedy and public trial and the right to trial by jury. The Fifteenth, Nineteenth and 26th Amendments deal with the right to vote.

But as a matter of law—as a matter of actual application—what is meant by a constitutional commandment that "equality of rights under the law" shall not be denied or abridged on account of sex? No one knows. What is "right"? It is a lofty and resounding word, ordinarily linked to the great objects of a free people—to the rights of free press and freedom of religion, to the right of an accused to have counsel. If we assume that, in some jurisdiction, law requires that employers provide separate facilities labeled Men and Women, what of the effect of this amendment?

Does it create a *right* to a door labeled Persons? If so, ERA put a cavalier construction on a constitutional noun that has enjoyed more serious meaning.

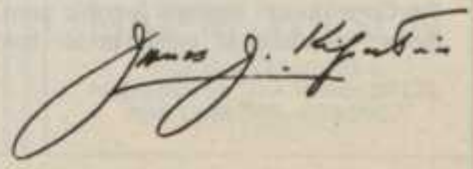
Whatever these rights may be, ERA says that no state shall deny or abridge them. The language stems from the first section of the Fourteenth Amendment. In constitutional shorthand, we are speaking of the doctrine of "state action." As the Fourteenth has been construed over the past century, and especially over the past two decades, the concepts of "state action" and "private action" have blurred. The concepts run together.

If all the gloss of the Fourteenth Amendment is to be transferred to the new ERA, a vast area of public-private actions will be affected—quite how, we do not know.

3. *The amendment is undesirable.* It is a truism that we live under the rule of law; it is a deeper truism that we live under the rule of the past, for "the law," at any given moment, is the embodiment of all that has gone before. The laws that today govern prostitution, adultery, child custody, divorce, inheritance and age of consent have ancient roots. We look to the Judeo-Christian ethic. We draw on civilizations and societies long forgotten. By some rough process of divining public opinion, known as the democratic process, we have acquired a body of law—including laws that treat women differently from men—that mirrors and protects our prevailing political desires.

This body of custom and tradition, so far as it involves sexual mores, cannot be treated as if it did not exist. People care about these things. If this were not so, the people of Cocoa Beach, Fla., would not have voted last November to prohibit topless bathing by women on the local beaches. Lawmakers would not have written laws providing special benefits for women factory workers, for abandoned mothers, for aged widows. Such laws reflect political and social realities. The legal structure is not perfect—of course it is not perfect, and of course it constantly changes—but the basic structure has been there a long, long time.

It is hard to believe that at a given moment in March of 1972, when Congress approved the Equal Rights Amendment and submitted it to the states, the people knowingly were demanding that this essential structure be destroyed. It seems to me highly doubtful that the people desire any such thing as "unisex" in their law. But if five more states—or seven—ratify the pending amendment, that is what the people will get.



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LETTERS TO THE EDITOR

Waste Not, Want Not

• Re your "Memo from the Editor" [November] about conserving energy. I listened to President Ford's speech on energy-saving on my car radio while driving home from one of our plants in Pennsylvania.

I counted 160 billboards, each with eight spotlights, on the right-hand side of the highway between Bethel and Easton, Pa., a strip of 55 miles. Let us assume there are another 160 on the other side of the road—a total of 2,560 spotlights, not counting other types of advertising lighting.

That's an energy waste. I am sure we would still be able to read the billboards at night with half or one third the number of spotlights.

ALFONS MAYER
Vice President
General Cigar Co., Inc.
New York, N.Y.

• The "Memo" invited the submission of "brilliant" ideas for conserving energy. Our product, a shower which drastically cuts water consumption, is, we feel, a brilliant idea translated into hardware.

We attack, simultaneously, three of the most vexing problems facing our civilization: the failing supply of energy used in heating water, the failing supply of water resources and the failing capacity of our environment to accommodate sewage.

The energy crisis has come as a shock to the average citizen but it is not the most critical problem with which we must deal in the future. Energy supports our civilization as it is currently structured, but water is basic for life—plant and animal.

KENNETH T. ROW
Director of Administration
Mitsuse System, Inc.
Jackson, Calif.

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• Turning down the thermostat on water heaters, as suggested in your "Memo," will save neither money nor energy. Here's why:

Heating the water in a given tank to 160 degrees does, indeed, consume more energy than that required to heat the same volume of water to 100 degrees. But the differential in energy needed to maintain water at either temperature is negligible.

If, therefore, you need one gallon of 100-degree water from the 100-degree tank, you will draw one gallon—or 100 per cent heated water to meet your need.

If you are drawing from the 160-degree tank, however, you will need perhaps only one quart of heated water cooled with three quarts of cold water to make up the 100-degree gallon, or only 25 per cent heated water.

You can save money and energy only by saving *heated* water.

Nevertheless, the things you said about inflation and saving energy needed saying.

HARRY W. HULL
Account Executive
Dix & Eaton, Inc.
Cleveland, Ohio

A reply from BLS

• The article, "Losing the Unemployment Numbers Game" [October], omitted important information. The following facts provide perspec-

tive on the statistical system used to develop local unemployment estimates, and underscore the need for the changes made in 1974.

The new method was introduced because of serious shortcomings of the pre-1974 method. Those shortcomings had been thoroughly documented by nongovernment professional statisticians. After a critical report on the old estimates by the General Accounting Office in 1971, responsibility for developing and introducing an improved methodology was assigned to the Bureau of Labor Statistics.

Recognizing the widespread public interest in the accuracy of unemployment statistics, BLS made a special effort to ensure wide review of the new methods. The BLS Commissioner publicly announced the likely nature of changes in November, 1972. In February, 1973, the Bureau circulated a preliminary analysis of proposed changes, all of which were based on established statistical procedures. During 1973, it encouraged debate about the new methodology at two large meetings of staff representatives of state agencies responsible for preparation and analysis of local estimates. Presentations on the new methods were made to the staff of the Joint Economic Committee and the Statistical Policy Division of the Office of Management and Budget.

Finally, training seminars were held for staffs of state agencies.

The article should have made fully clear that while unemployment figures were revised upward for 11 states they were revised downward in eight. Overall, the revisions not only made the state estimates more comparable to each other, but brought the sum of the state estimates much closer to the national estimates. This is a significant improvement, but BLS is fully aware that further improvement is needed. Modifications will be forthcoming at the earliest possible date consonant with the development of appropriate statistical procedures.

An unnamed Labor Department official is quoted in the article as saying, "The Act did not require the use of the official BLS definition of unemployment." For the benefit of the unnamed official, the exact language of the Comprehensive Employment and Training Act is: "The determination of whether persons are without jobs shall be made in accordance with the criteria used by the Bureau of Labor Statistics in defining persons as unemployed." The official BLS criteria are those used in the national monthly survey of employment and unemployment.

The author implies that the introduction of more accurate statistics should have been "delayed" (canceled?) (managed?) to prevent a "psychological" setback. This implication is contrary to the tradition of federal statistical agencies, which are committed to the development and publication of the most timely, accurate and consistent data possible.

JAMES R. WETZEL
Assistant Commissioner
Current Employment Analysis
Bureau of Labor Statistics
Washington, D.C.

Standards procedure

• George R. Young's article, "You Can't Win If the Rules Won't Let You" [November], requires correction if the readership of your fine magazine is not to be left with a


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J. W. TALLEY, Jr., Vice President
INDUSTRIAL DEVELOPMENT DEPARTMENT
Georgia Power Company
BOX 4545E, ATLANTA, GEORGIA 30301

dangerously erroneous impression of international standards and particularly the United States' participation in their development.

The author implies that the International Organization of Standardization (ISO) and International Electrotechnical Commission (IEC) are international governmental organizations and, hence, analagous to various economic commissions of the United Nations, and to treaty-type groups such as the European Economic Community and European Free Trade Association.

ISO is in fact a completely nongovernmental group formed in 1946 by various national standards bodies. The U.S. member is the American National Standards Institute (ANSI), which was one of the original founders of ISO, was the first national organization to ratify the ISO charter and provided ISO's first and immediate past presidents.

It is true that some 50 per cent of ISO's members are governmental institutions, but the others are either semigovernmental or private. It is also unfortunately true that all except ANSI have some form of government recognition and, in many cases, assistance in funding. ANSI is the only completely private, completely industry-funded organization in ISO.

In IEC's case, the membership is composed of so-called national committees, not national standards organizations as indicated in the article. Since 1931, the U.S. National Committee of IEC has been affiliated with ANSI, which provides the total U.S. dues to IEC and also supports the administration of the U.S. committee.

Mr. Young makes the statement that "while U.S. industry is well organized to deal with domestic standardization problems, it is fragmented in its international posture." He further states that American industry is "not united in any single unit to conduct negotiations with the outside world."

United States standards interests *are* united in a single organization "to conduct negotiations with the outside world"—ANSI, which is active in some 98 per cent of all ISO committees, subcommittees and working groups and is a permanent member of the ISO Council, or board of directors. If there is any fragmentation of U.S. effort internationally, it is on the part of the U.S. government.

The legislation in Congress referred to in Mr. Young's article was intended to provide support for U.S. participation in international standards through industry-government cooperative efforts. It was not, as implied in the article, intended to provide a central agency (presumably governmental) for such purposes. Our contention is that the so-called political backing should be for ANSI, which is in place and working effectively in both ISO and IEC, as this nation's national standards body.

DONALD L. PEYTON
Managing Director
American National Standards Institute, Inc.
New York, N.Y.

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my own time as I wish, have no one to answer to—plus I am making more money! Each day is a brand new adventure, seeing old friends and meeting new ones. And we now have time to take an active part in the life of our community."

You have no experience? Neither did Bob Greenwalt, just retired after 20 years of career army service. And he says:



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If you wonder what the Duraclean business is all about, see how proud Paul Casjers is of his service:



"Ours is the finest, safest process for cleaning carpeting and furniture. We don't soak, scrub or use heavy machines, yet do a thorough job in removing the soil and leave no mess or upset house. When you're honest, give good service and do the best possible job, you can't miss, owning a business like Duraclean. The company stands behind you and gives you all the help you need. From my own experience, I know our process does a better job."

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SOUND OFF TO THE EDITOR

Which Is Now Public Enemy No. 1?

No matter how you slice it, curing what ails us economically right now will be no piece of cake.

Inflation *and* recession. Companies forced to lay off workers because of declining sales, and at the same time forced to boost prices because of increasing costs.

A joblessness rate above 6.5 per cent—up from a 10-year average of 4.6 per cent—and a Consumer Price Index rising at a rate that not only is double-digit, but is almost 2½ times the 5 per cent average annual rise between 1964 and 1974 (and not even in the same league with the average 1954-64 rise of 1.5 per cent a year).

This doleful combination of economic woes is not unique—prices also jumped while production dropped in 1918-19, and again in the 1957-58 recession (though in the latter case the inflation was minimal compared to today's). But it is unusual. Generally, when times have been not so good, prices have fallen.

Which economic illness is more grave?

Look at inflation. Not only are there countless individual Americans whose incomes, though they may rise, fail to keep pace with costs, but there are countless more whose incomes are fixed and who must try to somehow cope. Some businesses are trapped by long-term contracts or other factors which prevent them from passing on cost increases. Virtually all face the monumental dilemma of inventories: Buy extra now, with interest rates (though down a bit) still as high as an elephant's eye, in the expectation of more inflated prices to come? Or play it cool? And business after business is meeting consumer resistance to prices it must charge.

Look at recession. Workers laid off, facing a glum present and an uncertain future for themselves and their families. Executives forced to take pay cuts if not to look for new positions. Corporations forced to cut or pass stockholders' dividends. Worse, businesses forced to fold. The ill effects spread—one scientist reports that when unemployment rises, so do heart attacks, suicides and even infant mortalities (economic insecurity, he explains, often produces harmful stress, and alcoholism and tranquilizer abuse, among expectant mothers). Crime also rises in recessions, and there are signs of that being the case now, with the trend given a push by inflation. Says a prosecutor: "People who'd steal once a week are now doing it three times a week."

All of which poses the question—for government and for us all—of which current problem to concentrate on the hardest. Is inflation worse than recession, or vice versa? What do you think?

PLEASE USE FORM BELOW FOR REPLY

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20062

Is inflation worse than recession? ☐ Yes ☐ No

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SOUND OFF RESPONSE

They're Down on the Lower Speed Limit

The higher speed limits finish just ahead of the slower one.

Or, more explicitly, readers responding to the November "Sound Off to the Editor" question vote by a narrow margin in favor of returning to speed limits in force before the 55-mile-an-hour top was set during the Arab oil embargo.



Joseph V. Quarles, president, Simmons Co,. New York City, sees the 55-mile speed limit as "a very simple way to conserve oil and increase safety."

The limits were rolled back a year ago with the expectation of saving substantial amounts of oil, and with a reduced highway death toll an important plus.

(While individual states set their own speed limits, Congress enacted legislation giving them a choice of the 55-mile top or loss of federal highway funds. All chose the former.

(Congress originally specified that the speed cutback would expire this June 30, but at presstime it sent to the President highway legislation providing for an indefinite extension—and strict enforcement.)

Readers favoring retention of the lower limit cite a reported saving of 250,000 barrels a day in fuel and the estimated saving of thousands of lives, but opponents say there are more practical avenues to achieving the same results.

O.H. Scheuerman, senior vice president, Ranger National Life Insurance Co., Houston, Texas, writes: "No doubt the 55-mph limit is saving lives and energy. A 35-mph limit would produce better results, and no auto travel even better ones. The point is, do we sacrifice all progress and return to horse-and-buggy days? The saving of 250,000 barrels of oil per day is really only a drop in the bucket in view of our total daily consumption of 16 million barrels. More emphasis needs to be placed on the efficiency and size of cars. This will be far more effective than limiting speeds on superhighways."

But W.C. Hittinger, an executive vice president of RCA Corp., New York City, favors the lower speed: "The need to conserve fuel is real and long-term. Reduced speeds help." He also says that "safety and speed are inversely related."

And Dick Waterman, international sales coordinator, Champion Spark Plug Co., Toledo, Ohio, thinks that "55 miles an hour is fast enough to get us where we're going." He suggests that we "save fuel, lives and ulcers by driving at a sensible speed."

On the other hand, J. Stanley Probst, chairman and chief executive officer, American Paper Products Co., Youngstown, Ohio, says a more reasonable approach would be a 65-mile limit on interstate highways, with the understanding it would be enforced, plus action against "reckless driving at all speeds."



G.W. Mast, president, K C Diesel Power Co., North Kansas City, Mo., argues that modern cars are more efficient at speeds higher than 55 miles an hour.

And Joan Adams, a buyer for Armor Elevator Co., Inc., Woodside, N.Y., believes that it is the present, lower speed limit that can be unsafe: "When a person is driving a long stretch at 55 miles an hour, it can be extremely dangerous because it feels as if you are getting nowhere and you tend to doze."

A heavy vote against retaining the 55-mile top comes from readers whose business activities involve a large degree of motor travel or transport. "The 55-mile-an-hour speed limit has increased our travel time by an average of 30 per cent," reports Paul W. Markworth, president, M&S Forest and Land Managers, Waverly, Tenn. "This cost has to be passed on to our clients."



Opposing the lower limit, Helmuth A. Wegner, general counsel, G.D. Searle & Co., Chicago, Ill., says he resents the "government-knows-best" attitude.

Charles A. Woelfel, executive director, California Moving & Storage Association, Los Angeles, Calif., challenges reports linking the reduced highway death rate to the lower speed limit. The reduction in deaths, he believes, is the result of a decrease in pleasure driving by people who "cannot afford gasoline at 55 to 65 cents a gallon."

But Albert L. Molowa, vice president and general counsel, Revere Copper and Brass, Inc., New York City, says the safety dividend of the lower limit "is a proven fact." He also calls for strict enforcement of the 55-mile maximum if it is retained.

A National Safety Council estimate that continuation of the 55-mile limit would save 8,500 lives each year "is enough reason" for retaining it, says Richard D. Carr, board chairman, Detroit Tool & Engineering Co., Lebanon, Mo. "Fuel saving is only a secondary reason," he says.

Emmett T. Lang, president, The Central Pennsylvania Coal Producers' Association, Ebensburg, Pa., believes that speed limits should differ according to the fuel consumption of the cars as determined by the number of cylinders. Eight-cylinder vehicles would be limited to 55 miles an hour, six to 60, and four to 65.

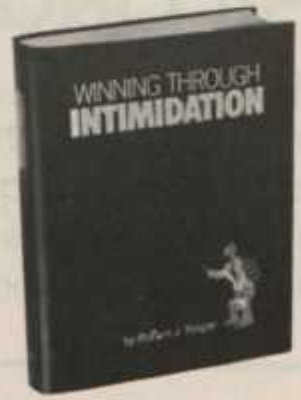
TO BE INTIMIDATED OR NOT TO BE INTIMIDATED?

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And that *includes* the Chairman of the Board of General Motors. Had he read **WINNING THROUGH INTIMIDATION**, he would not presently be in the ludicrous position of having people sitting on his Board whom he has no need for, and Ralph Nader would probably be running a harmless little law practice in Duluth, Minnesota.

Because of the very fact that you're a successful person, you may not even be aware that you are, on occasion, being subtly intimidated. You may only recognize the result: A loan that isn't granted, an acquisition that falls through, an insurance policy that's rejected, a real estate sale that blows up—in short, *a deal that doesn't close!*

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Intimidation is the common thread that runs through every business transaction, regardless of the size of the deal. After clearing away all of the academic nonsense—all of the irrelevant fat—intimidation is, plain and simple, the crucial factor that decides the outcome of most business affairs.

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There is no way that any attorney worth his salt is going to just sit back and allow a deal to close without at least putting up a fight. In fact, many attorneys subconsciously believe that their survival depends upon their ability to kill deals (could they be right?).

Regardless of what business you're in, you must face the reality that attorneys have been, are, and, unfortunately, probably always will be a major obstacle in just about every significant business transaction that takes place (unless the business world as a whole can somehow get it through its head that a lawyer is nothing more than a college graduate with a special diploma granting him the right to openly practice intimidation).

If you wish to avoid being caught off guard, you *must* develop specific techniques—like those outlined in **WINNING THROUGH INTIMIDATION**—for protecting your flanks from the deal-killing expertise of the other side's attorney.

So much for the legal counselor. He is just one of the many realities fully exposed for the first time in **WINNING THROUGH INTIMIDATION**.

IT WOULD BE A PRUDENT MOVE TO PLACE YOUR ORDER NOW.

Regardless of your business, there is, above all, one reality that you should face up to right now: *"The results a person obtains are inversely proportionate to the degree to which he is intimidated. It's not what you say or do that counts, but what your posture is when you say or do it."*

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Dr. Donald E. Ault, corporate planning director, Land O'Lakes, Inc., Minneapolis, Minn., rejoices that the Administration has not reimposed "shortsighted controls" in the inflation fight. Furthermore, he says, industrial prices "have started to soften and we now have excess capacity." He is discouraged by increasing unemployment.



Joseph T. Bailey, chairman and president, Warner & Swasey Co., Cleveland, Ohio, says: "Overall, the economy will probably continue downward. Negative factors continue to be multiplied by prophets of doom, and the fundamental causes of inflation and unemployment and high cost of money cannot be rectified short-term."



W. Lee Burge, president, Retail Credit Co., Atlanta, Ga., says the economy will "continue downward due to the cumulative effects in construction, autos, and general belt-tightening." As for his company, he looks for a 10 per cent increase in both volume and profits in 1975, compared with those of 1974.

QUARTERLY OUTLOOK SURVEY

It's Not All Bad

Many companies expect to do quite well, thank you, despite the case of the blahs that's hit the overall economy

The basic optimism of American business executives about the resilience of a free market and a free people is being put to the test as the economic situation worsens.

But, let it quickly be added, all is not doom and gloom. There are widespread expectations among executives that their own firms' gross revenues—and even net incomes—will perk up as 1975 moves along.

Responses to NATION'S BUSINESS' 53rd Outlook Survey show that four out of every five executives expect their own companies' volumes to improve this year over 1974 levels, or at least get no lower. (To be more specific, 54 per cent say they will increase, and 27 per cent say they will remain at the same level.)

At the same time almost two out of three expect their own firms' profits to equal, or exceed, 1974 profits. (Again, to be more specific, 39 per cent say their businesses' profits will rise, while 24 per cent say they will remain level.)

It's a sampling of opinion on what will happen to the nation's economy as a whole in the next six months that turns up the gloom.

For every executive who predicts the economy will rise, there are 20 who forecast decline. Sixty-two per cent of those responding to the poll see the economy heading down; only 3 per cent see it heading up. Thirty-five per cent see it leveling off.

The executives are particularly dour about inflation.

Answers to the question, "Are you satisfied with the Administration's efforts on the inflation front?" show overwhelming dissatisfaction. Only 25 per cent of those replying say they are satisfied.

Inflation is a recurrent theme, among a variety of others, in answers to the question, "What do you think the nation's economy will do in the first half of 1975?"

Says Proctor W. Houghton, president, Houghton Chemical Corp., Allston, Mass.: "Continue downward. We shall be paying for the nation's profligacy in Viet Nam and our continued wastefulness in the Pentagon budget, as well as the Administration's failure to do anything significant about inflation."

The economy's descent will go on, in the blunt opinion of Edwin R. Thompson, president, Forox Corp., Mamaroneck, N.Y., because: "The world is in the hands of idiots. They will *not* stop printing fiat currency."

William B. Falconer Jr., senior vice president, Charles F. Noyes Co., Inc., New York, N.Y., writes that the slide will continue "unless either labor productivity improves or government ceases competing in the money market for funds which otherwise could be used by industry."

Mr. Falconer adds that he is not at all satisfied with the Ford Administration's efforts on the inflation front. "They are using political utterances to cure, or attempt to tell us they are trying to cure, economic and fiscal problems," he says. "It's like using your sales force to cut costs."

C.P. Siest Jr., president, APCO Oil Corp., Houston, Texas, sees the downward trend continuing because of "strikes, higher prices and reduced productivity of workers."

Dr. H.W. Ritchey, chairman, Thiokol Chemical Corp., Ogden, Utah, agrees regarding productivity—he says it will "continue to decrease" and cites it as a principal force tugging the economy down.

Two highly ranked insurance executives, Clyde F. Schlueter, president, Employers Insurance of Wausau, in Wausau, Wisc., and M.L. Jensen, president, Health Service, Inc., Chicago, Ill., also say that the economic slide will continue. Mr. Schlueter does not look for the trend to reverse during the year's first half.

John W. Hanley, president, Monsanto Co., St. Louis, Mo., is a bit more optimistic. He says the econ-



John F. Chandler, vice president, United Bank, Colorado Springs, Colo., expects the last half of 1975 to see improvements in the economy. As for the first half, the economy will "slowly level off." His bank's profits and volume will "generally be up." Unemployment, on the national level, will continue to rise, he says.



James D. McClary, chairman, Morrison-Knudsen Co., Inc., Boise, Idaho, says the nation's economy will "probably level off, and possibly drop a little. Everyone is running out of money and can't afford to borrow—and probably shouldn't anyway." His company's profits, he feels, should be about the same this year as in '74.



Peter Corradi, board chairman, Raymond International, Inc., Houston, Texas, sees "a pent-up demand for increased capacity of manufacturing facilities, for mineral exploration and for housing which, with the natural forces of supply and demand, and if business has latitude to operate, should generate an upturn in the economy."



O. Leonard Moretz, president, Carolina Mills, Inc., Maiden, N.C., deplores high interest rates, but he believes that inflation is cooling. He says that prices are reacting to supply-demand forces and that most supplies are now adequate. Unhappily, he expects his firm's profits to drop 50 per cent in '75.



Douglas Grymes, president, Koppers Co., Inc., Pittsburgh, Pa., says little can be done by the Ford Administration about inflation without cooperation from Congress. "This means less spending," he says, which is unlikely "as long as most politicians have getting reelected as their primary objective."



Donald W. Pearson, vice president, Rochester Telephone Corp., Rochester, N.Y., is encouraged because: "Capital appropriations and expenditures are still maintained at a high level. The decline in money rates should eventually open up business opportunities." He sees his company's revenues growing this year.

omy, as measured by gross national product, will move neither up nor down until the third quarter of 1975, "but will move up at that point, increasing at a rate of 4 to 5 per cent per year as we move into 1976."

Two executives also seeing a near-term leveling off, rather than a continuing descent, for the economy are John R. Seydel, chairman, AZS Corp., Atlanta, Ga., and Jeff S. Sanders, Penn Security Life Insurance Co., St. Louis. Mr. Seydel thinks that inventory adjustments should be completed early this year and that money will be available at medium costs. Mr. Sanders believes the law of supply and demand will have an early opportunity to take effect.

Capital investment always provides a good indication of what to expect within a few months and here the picture is not at all bad. Thirty-three per cent of the respondents say their companies will increase their present rate of capital investment, and 28 per cent say their firms will hold theirs at current levels.

There is a sharp division of opinion on another issue—whether labor is becoming more militant. Close to 56 per cent of the executives answer Yes, while some 44 per cent say No.

J.H. McCarthy, vice president, United Telecommunications, Inc., Kansas City, Mo., thinks unions "will probably welcome legislation establishing compulsory arbitration, which is to say their militancy has form but no substance."

Thomas H. Flinn, senior vice president and treasurer, United Virginia Bankshares, Inc., Richmond, Va., believes "labor is trying to recover the impact of inflation on purchasing power; but without increased productivity, the effort would only push prices higher."

Mr. Flinn writes further, and at length, on what he considers the most discouraging aspects of the economy: "World-wide deficit financing; the belief that the government, i.e., politicians, bureaucrats and federal judges, knows more about what's good for the people than the people themselves; and the belief that more money will solve social and all other problems despite evidence to the contrary." He names as dismal examples the records of the U.S. Postal Service, the Bureau of Indian Affairs, and the federal Departments of Health, Education and Welfare, and Housing and Urban Development.

And he quotes Thomas Jefferson as saying that if people allowed the federal government to tell them "when to sow, and when to reap, we should soon want bread."

A wide range of factors are cited by executives in response to questions asking what they consider the most encouraging and most discouraging aspects of the economy. Most frequently mentioned:

Discouraging—rising inflation, poor political leadership, energy shortages and attendant problems, governmental deficit spending, excessive government intervention, still-high interest rates, and media reporting that has a depressing effect.

Encouraging—reductions in interest rates, the American ability to overcome problems, somewhat heavier capital spending, production meeting demand, indications that some prices are leveling off, and a strong outlook in some industries.

Lonnie W. Wege, vice president, Cities Service Gas Co., Oklahoma City, Okla., and Walter E. Hoadley, executive vice president, Bank of America, San Francisco, Calif., have this to say about what's brightest in the economic picture:

Mr. Wege—"The resourcefulness of business to counter disappointments."

Mr. Hoadley—"The common sense reality of the American people, strength of the financial system, management flexibility and our relative international strength." END



THIS SPACE CONTRIBUTED AS A PUBLIC SERVICE BY THE PUBLISHER

By VERNON LOUVIERE
Associate Editor

Where Blindness Is a Proven Asset



Blind workers who possess acute senses of taste and smell help ensure that flavoring chemicals maintain standards of sameness.

Here's a company hiring handicapped people, not in spite of their handicaps, but because of them.

At its Glidden organic chemicals plant in Jacksonville, Fla., SCM Corp. manufactures synthetic flavors and fragrances, such as lemon, spearmint and nutmeg oils used in soap, perfume, candies and pharmaceuticals.

Companies using these synthetics insist on absolute consistency of ingredients so that their soap, candy or medicine looks, tastes and smells the same all the time.

Computerized mass spectrometers, gas chromatographs and other sophisticated equipment used at the Glidden plant precisely and accurately reveal the chemical components of a substance. But it takes a human nose and taste buds to make sure that each production batch matches the standard customers expect.

Ten years ago, Glidden launched an experiment—to see whether blind people might not be used to test the aroma and flavor of its synthetics. After all, it was a well-established fact that persons deprived of one sense develop others to a higher degree.

The Jacksonville office of the Florida Bureau of Blind Services provided volunteers. A number of sightless persons were tested and six were selected to join in a long-term test period. It wasn't long before the panel members proved themselves highly competent in the art of odor and taste perception. They easily surpassed the performance of a panel of persons with unimpaired sight.

Today, a decade later, some of the blind who took part in the experiment are still on the job, along with others who followed. They are paid from $3.50 to $5 an hour, well above the federal minimum wage standard.

"Few blind people have better-paying jobs," says Mrs. Lorene Ellis, one of the original blind persons hired by Glidden. "It gives you a feeling of belonging, a thankful feeling to know you can make your own way like other people."

"Glidden didn't hire us out of sympathy," says another panelist, Brice Grant Jr. "They hired us because we perform an important function, and they look upon us as people." •

How a Firm Can Have Profitable Meetings

Is it possible that American companies, now spending an estimated $5.4 billion a year on management meetings, are simply going through a hallowed ritual and getting rather little in return?

Gould, Inc., a Chicago-headquartered developer and manufacturer of electrical, electronic and other products, thinks too many are—even though this is a time when profit margins are under pressure throughout U.S. industry, despite record net income reports by company after company.

Says Daniel Carroll, Gould executive vice president for operations:

"Too many companies are limiting their response to the profit squeeze to hand-wringing, wishful thinking or finger-pointing at one segment of the problem, such as labor and material costs. Instead, they should be learning to play all 88 keys on the piano."

Gould concluded that one answer to shoring up profit margins might lie in drastically altering the annual management meeting concept.

"This year [1974] we minimized the 'motherhood-and-the-flag' performance in our own annual executives' meeting and instead tried to pack at least one year of business management experience into two days," Mr. Carroll reports.

To accomplish this, Gould developed four case studies and parceled them out to managers divided into a number of six- and seven-person teams. Each study has one firm objective: profit margin improvement.

Instead of turning to traditional "off-the-shelf" material from business schools, management consulting firms and management associations, Gould focused on actual companies. Not firms on the verge of bankruptcy, but good companies which it felt could be run better. One of them is a major Gould supplier.

When the management meeting was held, the Gould teams were given 24 hours to come up with answers for improving these firms' profits. Then they met and evaluated their findings.

"I have never seen anything that turned our people on like this," Mr. Carroll says. "Competitive instincts were aroused. They lost sleep, and even got a little mad at each other sometimes. But we're convinced this program should be the heart of our management meeting formats. It's not a substitute for outside schooling, visiting experts and other management development vehicles, but certainly a vital 'vitamin supplement.' " •

continued on next page

continued

A Bank Is Battling a Foe of Families



A course provided by Chicago's Continental Bank helps stave off "financial illiteracy." It's being taught in thousands of schools.

Continental Illinois National Bank and Trust Co. of Chicago has found that hundreds of thousands of American families suffer from varying degrees of "financial illiteracy." It is trying to do something about that.

Chronic overindebtedness is prevalent at all social and economic levels, according to James A. Matthews, vice president in charge of consumer credit. He says:

"Our own experience has borne out national statistics which show that problems caused by the inability to manage personal finances occur in people of all ages—at all salary levels . . . whether they are married, single, divorced or widowed . . . and regardless of job tenure."

In the mid-1960s, before most of today's consumer protection laws were on the statute books, Continental came up with the idea of providing basic education in personal money management. It reasoned that a bank was uniquely qualified to fill an obvious gap in consumer education. Also that, for it, the long-term payoff of such instruction would be additional customers—people who previously were unable to understand financial services or who were simply afraid of banks and banking.

Continental called in an outside educational consulting firm to produce a personal money management course for high school students. Later, a course tailored for adult wage earners was developed.

The idea caught on. Now in its seventh year, the Family Financial Education Program is being employed in both public and private high schools throughout Chicago, where 100,000 sets of FFEP instruction materials are provided free of charge. It also is being used in adult education classes.

In 1971, Continental offered FFEP to other banks outside Chicago. Some 700 have purchased the course, so that it now is being used in approximately 3,000 other high schools in 49 states.

A bank in Arizona, and another in Rhode Island, paid the cost of issuing the materials to every school system in their respective states.

Hugh T. Cummings, a Continental trust officer in charge of administering FFEP, says:

"Most participants indicate that the course is a true learning experience and that they find it interesting and helpful in their own personal situations." •

Life Insurance—It Goes Back a Long Way

"The Corporation for the Relief of Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers."

That's the name of the first life insurance company in the United States and it has just celebrated its 215th anniversary. Today, it goes by the more wieldy name of Presbyterian Ministers' Fund.

While life insurance in the U.S. traces its origin back to the founding of this company in 1759, the concept of indemnification for loss of life goes back at least 3,700 years to ancient Babylon, according to the Institute of Life Insurance.

The first known reference to it appears in the Code of Hammurabi. Among other things, this set of laws promulgated by a Babylonian king made cities and governors responsible for the safety and property of merchants passing through their lands. If a merchant was killed by brigands, said the Code, "the city and governor shall pay one mina of silver to his people."

Burial societies were formed in early Greece and Rome. Members paid monthly fees which were offered to the gods. But, increasingly, these societies switched to using the money to pay burial costs and to give financial assistance to the families of deceased members.

ILI says it wasn't until the Nineteenth Century that the idea of life insurance as a protection for dependents really began to spread. A notable insuree of that era was Napoleon Bonaparte, whose Lloyd's of London policy even covered the contingency of his being captured by an enemy.

Benjamin Franklin was an admirer of the idea of life insurance and, under the nom de plume of "Silence DoGood," he wrote:

"Many a widow and orphan have great reason to be thankful that the advantage of life assurance was understood and embraced by the husband and father. A large amount has been paid . . . to widows and orphans when it formed almost their only resource."

The concept of life insurance gained widespread popularity in the United States as the public's demand for financial security kept steadily increasing.

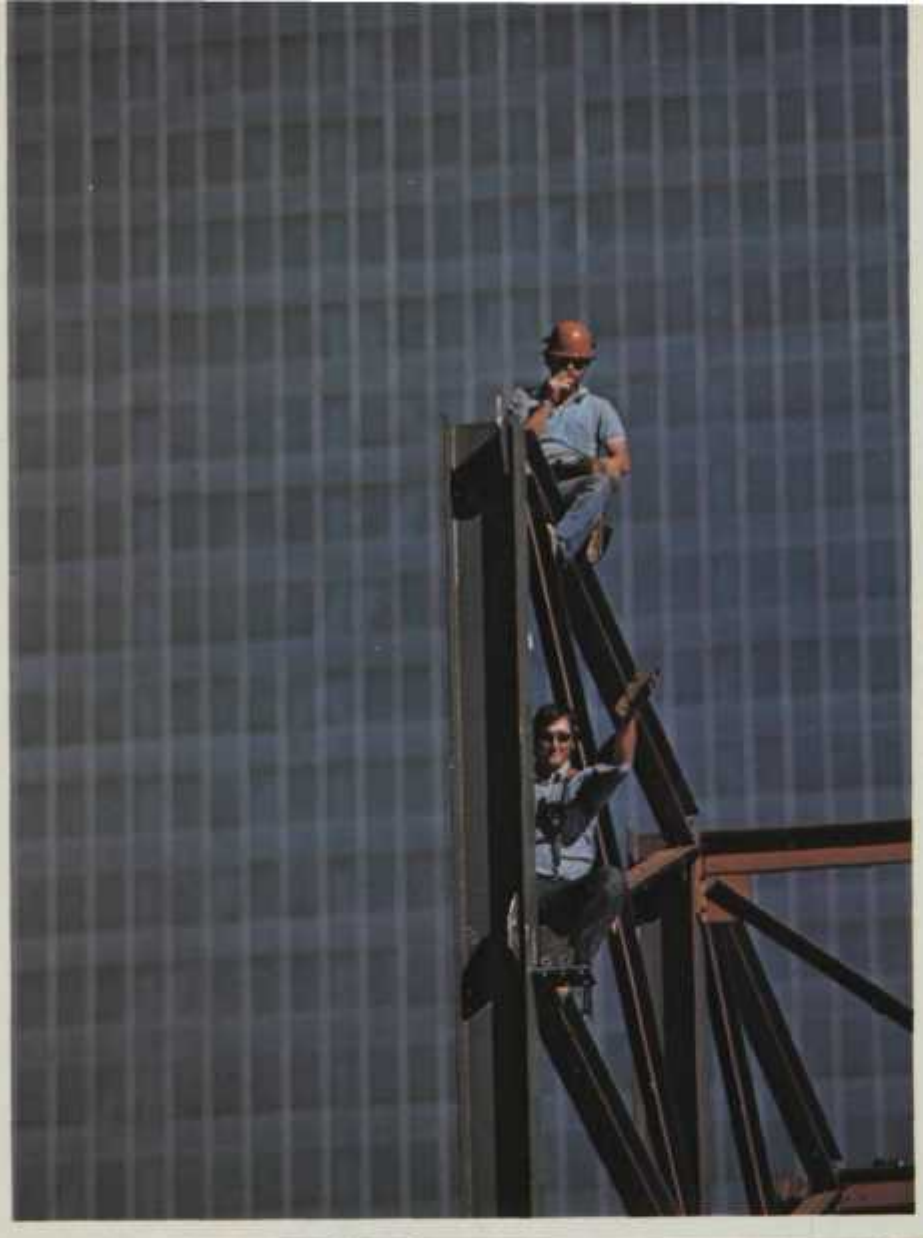
Today, according to ILI, some 145 million persons—two out of every three people in the country—are protected by life insurance.

The average amount of coverage for each insured family was $28,800 in 1973, which was an increase of $1,900 over the previous year. •

A BICENTENNIAL SALUTE TO AMERICAN CITIES:

DALLAS







In Dallas, folks like to say that if you wait a minute you'll see the skyline change. And it's almost true. Against a background of one new building (left), another is going up. Dallasites also like to remind you their city is big and friendly, with a Western flavor (above) and a proud memory of things past. Both themes are celebrated by the Texas Hall of State (below) and its giant state seal, located on the Texas fairgrounds.

PHOTOGRAPHS BY YOICHI OKAMOTO



FIRST IN A SERIES

A BICENTENNIAL SALUTE TO AMERICAN CITIES:

DALLAS

Strength in diversity—and leadership

Look at Dallas through the eyes of two editors of *The Atlanta Constitution*.

On Oct. 26, 1887, Henry W. Grady described Dallas this way:

"I salute the first city of the grandest state of the greatest government on this earth. If it but holds this preeminence . . . the uprising tides of Texas' prosperity will carry it to glories unspeakable. I say in soberness, the future of this marvelous and amazing empire . . . the mind of man can neither measure nor comprehend."

Today's *Constitution* editor, Reg Murphy, has this impression:

"Dallas is not so bad as she has been told by her peer cities. Nor is she as good as her most braggadocian supporters would claim.

"She is a town in the throes of discovering what she has become, and the self-appraisal is painful.

"She has come to enjoy the retreat into privacy which her inferiority complex gave her. If she could accept her role as a mature, interesting, attractive, imperfect city, she would be happier."

A NATION'S BUSINESS editor would give a third description:

Dallas is a prosperous city, a city with a good past, a better present and a still better future. It is cautious but confident, defensive but dynamic.

The principal reason for its success—past, present and future—is the involvement of its businessmen. They not only want their city to prosper so that they will prosper, they want it to be a good place for all its people. Furthermore, they have been, are and will be willing to work for, as well as give to, everything that will make Dallas better. (See "Memo From the Editor," page 4.)

John Stemmons, one of the fabled civic leaders, looks out of his huge office window toward the towering skyline across a stretch of flatland and says softly, "That's my village. My family has lived in this village a hundred years. I love it and I fight for it. Some of my friends give me hell about how I feel about it."

Critics contend that men like Mr. Stemmons have controlled Dallas too much.

Nevertheless, there's no arguing with the city's achievements.

A hundred years ago Dallas businessmen formed their first organization. It has gone through many stages and forms. Today, in the form of the Dallas Chamber of Commerce, it is emerging as the leadership organization it has sought to be for the past century.

Business leaders are really able to get things done. One told a NATION'S BUSINESS editor: "I'm going to a meeting now to twist some arms and raise some money for a good cause." And he did.

There is no reason for Dallas to

be a major city except for the aggressiveness, imagination and enterprise of its citizens. It has no harbor, no nearby oil wells, no mines, and little heavy industry. It's not even on a navigable river.

Of course, Dallas does have some advantages. Fold any map of the United States in half and you'll find Dallas lies exactly in the crease—equidistant from both coasts. It is approximately the crossroad point between the four largest centers of population on the continent—New York, Los Angeles, Chicago and Mexico City.

That location didn't mean much in 1841 when John Neely Bryan, a Tennessee lawyer and trader, established a trading post on the east bank of the Trinity River. He named the village he laid out for "my friend Dallas," whoever that was. The city's leaders enhanced its location quickly, however, when they waged a successful campaign to route a wagon trail called the "Central National Highway of the Republic of Texas" through their town. A few years later, the Civil War colonels who were running Dallas got the state legislature to force both North-South and East-West railroads to go through it.

Trade followed the highways and railroads and finance accompanied trade. Dallas became a marketing center with the services that accompany marketing. When other businessmen saw market opportunities, they began manufacturing for those markets. In recent years especially, headquarters for companies marketing or manufacturing in Dallas have found it desirable to locate there, too.

To be sure, Dallas has problems like any other big city, and some that are peculiarly its own. The inferiority complex which Editor Murphy mentioned springs from the psychic wound suffered from distorted publicity surrounding President Kennedy's assassination in 1963, as well as a mistaken belief by Dallasites that others have long regarded them as too big and brash and rude. Other cities have made Dallas the butt of "Texas brags" jokes.

On a more realistic plane, the Chamber of Commerce polled its members and found their chief concerns were crime control, develop-



Culture and gracious surroundings (the three men below are in their offices)

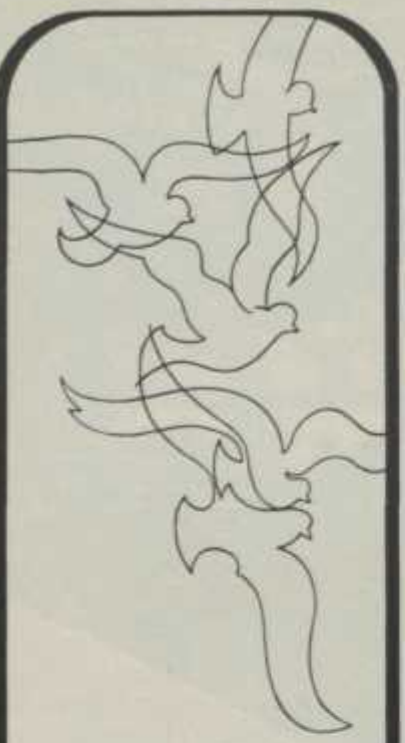


are a distinctive part of Dallas. Debutante balls are annual events and the opera always plays to a capacity house.





Robert H. Stewart III (opposite page) is chairman of First International Bancshares, Inc., and William H. Seay (left) is chairman of Southwestern Life Insurance Co. Alan B. Gilman (above) heads Sanger-Harris, one of Dallas' biggest department store firms.



just as birds engage in search, so also does man.

For a better life.

Our quest often calls for all the help we can get. No one of us is self sufficient unto himself alone.

When life's winds gust unpredictably, as they so often do, a good life insurance company and a good Agent can make the difference between success and failure, happiness and despair.

Southwestern Life is represented by professionally-skilled Agents in scores of cities and towns. If you live in one of them, invite a Southwestern Life Agent into your future. To help in your search.

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P.O. Box 2699 / Dallas, Texas 75221

DALLAS *continued*

ment of public transit, improved education, and better representation of the business point of view to government at all levels. The Chamber is now actively working on all these problems.

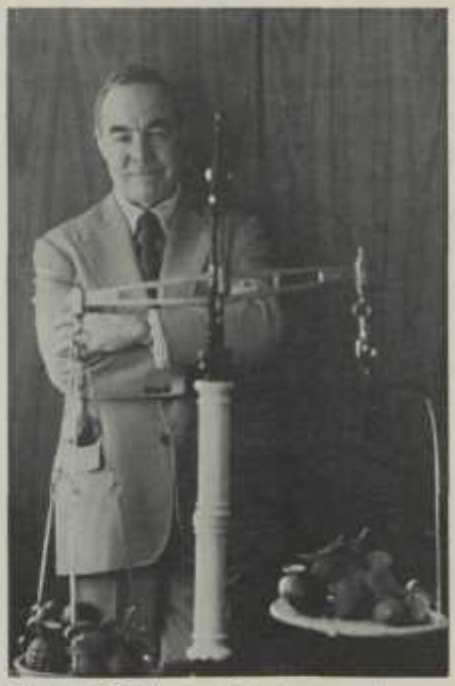
It has even been suggested that Dallas overcome its sensitivity and recognize its JFK memorial as a historic spot in the same manner that Ford's Theater, where Abraham Lincoln was shot, is recognized in Washington.

An important key to the future of Dallas is the new Dallas/Fort Worth Airport, which the landlocked city calls its harbor in the "ocean of the air." The airport has been thoroughly publicized as larger than Manhattan Island and roundly criticized for the inconveniences its size generated when it opened a year ago. Most of the kinks now have been ironed out, with a futuristic intra-airport transit system and speedy, comfortable bus service to Dallas and Fort Worth, which are both 17 miles away. Its importance as a distribution channel is well recognized by business leaders.

James W. Aston, chairman of Republic of Texas Corp., which owns Republic National Bank, predicts the airport will open new vistas of international trade for Dallas.

Robert H. Stewart III, chairman of First International Bancshares, Inc., which owns the First National Bank, agrees that "the airport is tremendously important in the future of Dallas."

Mr. Stemmons, who is president of Industrial Properties and personally owns a large amount of property, also considers the airport a boon but warns, "it's not a panacea that will guarantee prosperity."



Charles G. Cullum, active in many of Dallas' civic affairs, heads this year's United Way fund drive. The scales are symbolic of the retailing done by the Cullum Cos., of which he's president. His brother (see page 34) is chairman.

No Dallas leader worries about the city's economic prospects short-term. They feel that the diversity of its business base protects it from economic cycles. For the same reason, they see no end to its continuing prosperity long-term.

"Dallas can't do anything but continue its healthy growth because of its diversity," Mr. Stewart comments.

"The secret of our city is its diversity and its leadership," Mr. Aston agrees. A former city manager, he

THEY'RE BIG IN "BIG D"

If numbers tell the story, businessmen in Dallas County are probably the greatest believers in the value of chambers of commerce of any county in the country.

Besides the Dallas Chamber itself, there are seven others within the county. They are: Dallas Mexican Chamber, Dallas Negro Chamber, East Dallas Chamber, North Dallas Chamber, Northwest Chamber, Oak Cliff Chamber, and Pleasant Grove Chamber. Within the Dallas standard metropolitan statistical area, made up of six counties, there are 30 chambers.

Dallas ranks 4th nationally for corporate headquarters.

Dallas is a headquarters city. With 739 million-dollar companies and 175 publicly held corporations, Dallas ranks 4th nationally in both of these important categories. In addition, 397 of *Fortune's* top 500 corporations have facilities in Dallas. Here are some reasons for this leadership:

Air Transportation Center
The new 18,000-acre D/FW Airport is served by 9 regular airlines and 7 commuter airlines making 900 scheduled flights every day. Dallas is under 3 hours' flying time to either coast. Only 2 hours to Chicago or Mexico City.

A Marketing Hub
Dallas is the heart of a market for manufacturing, wholesale distribution and business services extending into 11 states with a total population of 40 million.

A World Trade Center
Dallas Market Center has the largest square footage display area in the U.S. The gift and homefurnishing markets are the largest in the U.S. and Dallas is one of the three principal fashion centers in the U.S.

A Diversified Economy
A combination of a healthy diversification of clean industry, manufacturing, all business support services in place, solid financial strength and dedicated leaders makes Dallas a great corporate headquarters city.

Today and tomorrow.

Dallas Chamber of Commerce
1507 Pacific, Dallas, Texas 75201

Progress, Dallas style

Almost a century ago, Dallas turned on its lights. And became one of the first cities in the world to enjoy the benefits of electricity. That wasn't luck—it was the progressive spirit of the city. That same progressive spirit has helped make Dallas the center of one of the country's fastest growing metropolitan areas. At DP&L, we believe in Dallas and its commitment to progress. That's why we're planning and building today to insure Dallas a continuing supply of electric power on into the future.



also notes that Dallas has always had clean, honest local government.

Leaders are acutely aware of the need to help existing companies develop to their full potential and to attract desirable new companies, if continued economic development is to be assured.

Warren Woodward, American Airlines regional vice president, among others, also stresses the need to keep important businesses from leaving Dallas.

Its past and present leadership has brought Dallas to the point where it is now the eighth largest U.S. city in population.

In the southern half of the United States, east of Los Angeles, the Dallas market area ranks first in wholesale sales, manufacturing employment and number of factories, size of banks, lending capacities of individual banks and total volume of banking business, postal receipts and air mail volume, number of headquartered companies with $1 million or more in net worth—and it ranks second in most other significant economic indices.

Important trends in the development of the Dallas economy since World War II have been:

• As a headquarters city. Dallas is headquarters for the nation's third largest number of companies with a million dollars or more in net worth, and fourth in the nation in headquartered, publicly held corporations listed on the New York Stock Exchange, American Stock Exchange or over-the-counter. And Dallas has the nation's second largest concentration of life insurance company headquarters.

• As a nationally important office center. Since World War II, Dallas' central business district has grown with construction of 33 new office buildings, a gain of 13 million square feet of floor space. Another 13 million square feet of space, in 142 buildings, has been constructed in suburban areas. Many of the buildings are in beautifully landscaped, showplace "cities" such as the Park Central community planned in North Dallas.

• As a manufacturing and distribution center. Eightly-six planned industrial districts have been formed

in the past 10-year period, increasing the total number of districts in the metropolitan area to 112. They cover more than 20,000 acres.

• As an international market center. The Dallas Market Center is officially a permanent International Trade Fair.

The fabulous Market Center is not just an office building, but an international merchandising mart housing myriad services to foreign trade—offices for foreign consulates, trade commissioners, government showrooms, exporters/importers, currency exchangers, travel services, forwarding agents, airlines, transportation firms.

It is a six-building "market city" which includes: the Decorative Center, Homefurnishings Mart, Trade Mart, Market Hall, Apparel Mart and World Trade Center.

The Market Center is the largest single-site merchandising complex in the world with a total of 4.8 million square feet of exhibition and showroom space—the equivalent of 100 football gridirons.

• As a center of science-oriented industries. Particularly in the computer-electronics field, Dallas has supported the growth of scientific industries to a stature which utilizes approximately one-fourth of the manufacturing labor force.

• As a convention city. Dallas' ability to compete successfully for the larger conventions and trade shows has boosted annual delegate attendance past the million mark. Contributing has been the construction of a great many new hotel and motel facilities, and a $70 million municipal-bond-supported city auditorium and exposition hall. Most important is the brand new Convention Center addition which more than tripled Dallas' convention capacity. Costing $37 million, the addition was also supported by municipal bonds.

Handsome statistics alone, however, do not reflect the spirit of Dallas. More important, perhaps, is recognition by its leaders that community development must go hand in hand with economic development. The businessmen of Dallas are deeply concerned with the quality of life. They have participated over the years in the Community Chest; its successor, the United Way; and dozens of civic and cultural organizations.

Much of the success of Dallas can be attributed to its planning. Few cities have made the effort or expenditure in this area that Dallas has.

More than 10 years ago then-Mayor J. Erik Jonsson set in motion the "Goals for Dallas" program which gained nationwide recognition among planners, urban specialists and leaders of other cities. He appointed committees which identified what Dallas needed to do and specified how to do it. This project was financed heavily by businessmen but also involved a broad spectrum of the community, including academic leaders. While the Goals for Dallas

THE STUFF AMERICA IS MADE OF

It's the dreams, faith and hard work needed to transform thirteen individual colonies into a united people who believed freedom and a hope for a better future were worth defending, whatever the challenge or the odds. That's the same stuff that makes us proud of the owners and founders of companies which have joined the Michigan General family. Many of these businessmen started small but dreamed big. Their entrepreneurial spirit and their creativity went into the founding and growth of their companies. And now, after uniting with Michigan General, their ambitions can carry them forward from an even stronger foundation. And like the young nation of 1776, we want to grow in many ways. That's why we're still looking for businesses and people made of the same stuff that made America . . . The greatest nation on earth. For free facsimile of Declaration, send 50 cents handling fee.

Michigan General Corporation
Dallas Federal Savings Tower
8333 Douglas Avenue, Dallas, Texas 75225

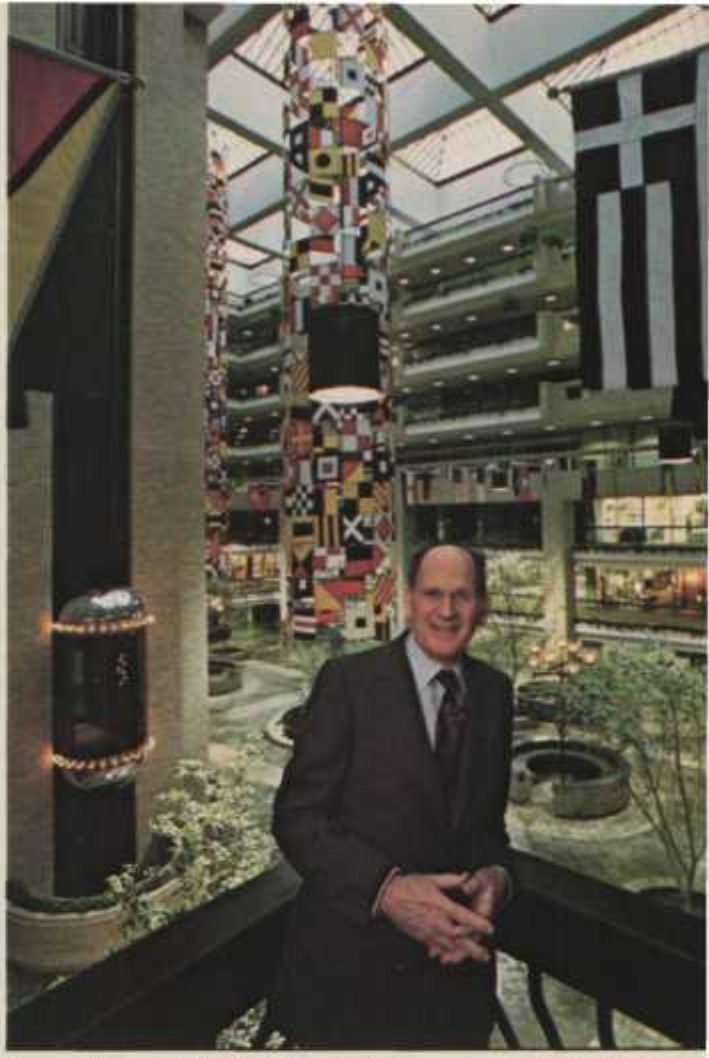


DALLAS *continued*

People make a city. They give it character, tone, foundation. No city can long survive without a strong economic base, and business builds this base. Whether the base goes down to bedrock or rests on shallow sands depends in large part upon the vitality of businessmen. On these pages are some of the businessmen who have built, are building, and will build Dallas, Texas.



Robert B. Cullum, chairman of the Cullum Cos., a vast retail food and drug operation, is also president of the State Fair of Texas, an annual event that attracts millions.

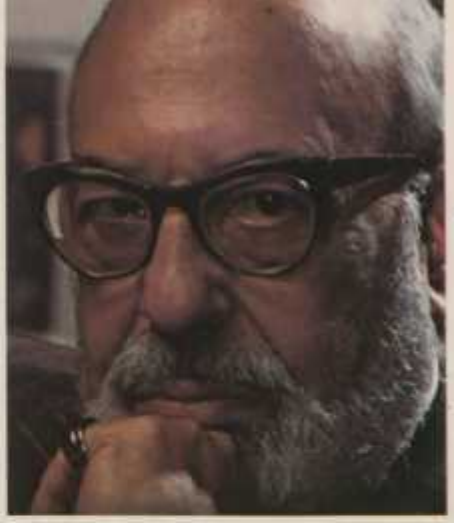


Trammel Crow, in the World Trade Center, newest of six buildings in the Dallas Market Center, a giant showcase he developed. Wares of 10,000 exhibitors are seen by 250,000 wholesale buyers yearly.



John Stemmons can look out his window at an office-industrial park complex which he and his brother, Storey, created. It's one of the reasons for the big Dallas business boom.





Stanley Marcus gave Dallas and the world a lesson in mechandising with flair.

James Aston heads one of the biggest bank holding companies in his state. It's also located in one of Dallas' biggest buildings.



Erik Jonsson retired as head of Texas Instruments, and became mayor.



Mildren M. Montgomery is president of Garland Foods, Inc.



William Charles McCord is head of big Lone Star Gas Co.

They brag in Dallas that there's never a shortage of fresh business talent for civic service. Here, in front of the city's very first house, John Nealy Bryan's cabin, are five of a reservoir of youthful leaders. Left to right: Tom Johnson, editor of the Dallas Times Herald; *Ray Hunt, president of Hunt Development Corp.; John Schoellkopf, investments; Walter J. Humann, a vice president of LTV Corp.; and Michael J. Collins, president, Fidelity Union Life Insurance Co.*



organization is still alive, the Chamber of Commerce is now more visible as the leader in seeking to improve conditions in Dallas.

Another potent organization is the Citizens Council, made up of the most influential leaders. Lee S. Turner Jr., president and chief executive officer of the Dallas Power & Light Co., is the current Council president.

Speaking of the city's future, he says, "I don't know whether we'll decide to run or pass to make our gains. I know we won't punt." Sports lingo is common in the Dallas area—home of the football Cowboys, baseball Texas Rangers, minor league hockey Black Hawks, soccer Tornado, world championship tennis, Byron Nelson Golf Classic and national karate championship.

Some critics contend that young men have difficulty gaining leadership in Dallas, and it's generally accepted that they must "win their spurs" by becoming involved in community affairs before they can attain leadership.

Again, businessmen are turning to the Chamber for a program to develop young leaders.

Harding L. Lawrence, chairman of the board and chief executive officer of Braniff International, says: "Many young executives are available for the asking. We must see to it that they get meaningful work."

Actually, a good many younger men are already prominent in the business structure. First National's Mr. Stewart is far from old. Nor are Theodore H. Strauss, president of the retail division of Riviana Foods and chairman of the board, United National Bank; Charles T. Terrell, chairman of Unimark Insurance Agencies; Michael J. Collins, president of Fidelity Union Life Insurance Co.; and Walter J. Humann, Vice President of LTV Corp. Several of them serve on the Dallas Chamber's board of directors.

Chamber service is considered a requirement for attaining leadership in the Dallas business community.

"The Chamber's board should be the city's leaders," Mr. Stemmons says, "and now they are." He feels the Chamber has been revitalized in recent years.

Mr. Stemmons, who reminds you



Russell H. Perry, chairman of Republic Financial Services, Inc., is chairman of the Dallas Chamber of Commerce. He's shown (left) with Chamber President David W. Cooley, CCE, (center) and immediate past chairman Charles A. Raper, president of General Portland, Inc.

of John Wayne, is particularly complimentary about Russell H. Perry, the new chairman of the Chamber's board. Mr. Perry is at least one of the hardest working men in a city of hard working men. He's chairman of the board and chief executive officer of Republic Financial Services, Inc., an insurance holding company, but finds time to do an unbelievable amount of association and civic work. He explains that work just happens to be his hobby and that he's able to effectively spread himself so thin by using every unoccupied moment of the day and much of the night on productive activity.

When you listen to Mr. Perry, you recognize that there's another secret behind his unending work in Dallas.

"Philosophically, I feel at home here," he says, "and feeling at home gives you all the more reason to do the things you should do."

Nevertheless, working hard is a habit that goes back to his childhood. "I was a poor boy," he says. "I wanted to become a lawyer from age 14, and I made it, but went to work in the insurance business in the '30s to make a living. I have lived in Chicago, New York and Dallas, and I know I'll never want to move again."

Mr. Perry is confident that younger men will be ready for leadership when the time comes.

"We all have young people we are pushing," he adds. "But I do believe business must push them. I doubt that they will all do it voluntarily. The greatest threat we have to leadership in the future will be if government continues to take everything to Washington and destroy all the incentives.

"You know, sometimes it's just not worth it to get ahead—with taxes like they are and the other disincentives.

"Some young people say there is no challenge, no opportunity. I say you must make your own opportunities."

Mr. Perry's predecessor as Chamber board chairman, Charles A. Raper, shares much of that feeling about the young executives.

"There is plenty of room for people willing to work," he says. "Whether they're willing to work is the question. The guy who gets power in Dallas is the guy who is willing to work."

Republic's Mr. Aston puts it another way: "In Dallas, the man doesn't seek the job, the job seeks the man."

Mr. Raper, president of General Portland, Inc., predicts a future for Dallas somewhere between "very good" and "great"—depending on how "enlightened" its leadership is.

Along with others, he attributes Dallas' success not only to current and past leadership, and to economic diversity, but to additional advantages.

Dallas enjoys one of America's best labor and tax structures. The area boasts the third lowest work-stoppage rate in the U.S. (and Texas has a right-to-work law). There are more than one million workers in the area, and there is a continuing influx of new labor from rural areas where mechanization has reduced farms' and ranches' manpower needs and where good highways and weather make commuting to plants and offices easy.

There is no state personal income tax, no state corporate income tax, no payroll tax (other than for Social Security and unemployment compensation). General ad valorem property taxes and a sales tax are the only levies common to most businesses. For individuals, taxation is very low —the burden on a family of four with income of $25,000 is less than 3.5 per cent in state and local taxes.

Living expenses in Dallas are among the lowest in the United States. The annual cost of an intermediate budget for a typical urban family of four was $11,408 in 1973 (latest available survey). This was less than 35 other major metropolitan areas.

Dallas abounds in educational facilities and opportunities.

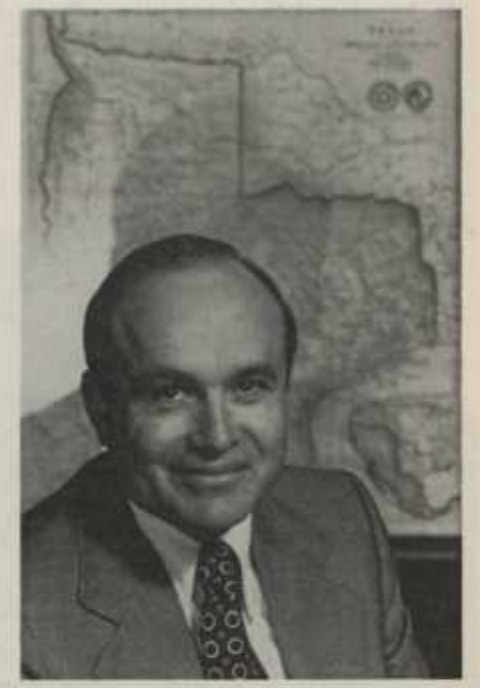
In addition to Southern Methodist University, the University of Texas at Dallas, the University of Dallas, Dallas Baptist College, Bishop College, the University of Texas' South-



Jetliners weave an intricate pattern of light trails over the new Dallas / Fort Worth airport, which is the world's largest in area. Twelve million passengers board or land there annually.



Football is king of sports in Texas, and Dallas is home for the Cotton Bowl Classic. The stadium has been rebuilt, and then expanded to seat 75,504. It's always sold out.



Lee S. Turner Jr., of Dallas Power & Light Co., is president of a potent organization, the Citizens Council.

western Medical School, Baylor University Medical School, Baylor Dental School and a seven-school Dallas community college system ("a community college within 15 minutes of any Dallas resident"), there are 29 four-year, degree-granting institutions within 100 miles, 20 two-year, degree-granting institutions within the same 100-mile circle, 141 trade schools, 20 high schools in the Dallas Independent School District.

Skyline Career Development Center, first of its kind and unique in American educational circles, provides its students (1) with a first class high school diploma, (2) career exposure in an experimental curriculum designed and supervised by Dallas professionals and (3) a high-stakes gamble that, in appreciation, Skyline graduates will return to Dallas following college graduation—no matter where they matriculate—to contribute brains and brawn to Dal-



Airlines are an important part of the business scene in Dallas, and airlines people are important in the civic affairs scene. Warren Woodward, of American Airlines, is a past president of the Dallas Chamber of Commerce.

las' growth and economic health and vitality.

The aggressive civic efforts which brought Dallas early-day advantages have been duplicated time after time by later generations. Some milestones: The Texas Centennial in 1936 brought national attention and the State Fair of Texas was created; the government decided, with help from Dallas leaders, to put a Federal Reserve bank in Dallas; a channel was dug for the unruly Trinity River, it was harnessed between levees, and 10,000 acres of flood plain in the heart of the city were reclaimed; World War II brought airplane manufacturing to Dallas; the city acquired an important position in the nation's developing airline transportation system.

Bankers have always been leaders in Dallas.

There's no air of the cloister about them. Following a tradition that started when banking was beginning in Dallas, they make themselves remarkably easy to see in their offices, and they get out of those offices for a wide range of civic activities.

The Republic National Bank, since its founding, has had a rule that any officer can make a loan but it takes more than one officer to decline a loan via telephone. All banks make many loans—some big ones—by telephone in a few minutes.

The classic example of Dallas banking imagination is the lending of money on underground oil reserves in 1933, a move which New York and Chicago banks copied.

But the stories on Dallas banks' smart play in the oil fields usually don't mention that what really made lending on reserves a risk that a banker could live with was the Texas oil proration law, which sets the amount of oil that wells can produce monthly. If wells are not allowed to run wild, their active life is much longer. Dallas bankers helped promote the law to take some of the gamble out of their loans.

As a result of the oil loans, at first in the great East Texas field, a vast amount of East Texas money came into Dallas and helped build the city.

R.L. Thornton Jr., chairman of the Mercantile National Bank, says his late father, who also headed the bank, was the first man in town to lend money on "jitneys and cars," although he was criticized by some colleagues for unsound banking.

Dallas banks also were the first to lend money to truckers. They started this before the days of certificates of title, when all they could get on trucks was chattel mortgages. Most of the truckers did not even have insurance.

But the way the bankers looked at it, it would be nearly impossible for a trucker to lose more than a part of his trucks, even if his headquarters burned. In that event, they reasoned, most of the line's trucks would be out on the road somewhere.

As a result, some of the Southwest's biggest truck lines—Brown

Weil-McLain

joins

Nation's Business

in saluting the Metroplex

Weil-McLain Company, Inc.

10400 North Central Expressway · Dallas, Texas 75231

Heating & Air Conditioning · Fluid Systems · Housing · Air Handling Systems · Architectural Lighting



The price of brick has gone up. Again.

Price Increases Since 1967 (in percentages)

	1974
Silver	410%
China	131%
Chevrolet Impala (Std.)	119.2%
Contract Construction	244%
Brick	131.9%
Lumber	205%
$30,000 home	146.7%
Vinyl asbestos floor tile	119.9%
Gold jewelry	600%
Men's clothing	126.4%
Women's clothing	127.3%
Doctors' house calls	141.7%
Furniture (household)	115.2%
Sofas	123.7%
Boys' bicycles	122.2%
Men's haircuts	132.9%

Price increases aren't news these days. Plain everyday brick, for instance, have increased in price 131% since 1967. As a result, your home is worth a lot more than it was when you got it. And probably worth a lot more than you've insured it for, too.

Look around your home. Look at yourself. Look at the prices you pay for almost everything today. Prices – and therefore replacement costs – increase. It's probably not too much to say that you and everything you own have increased in value since you last updated your insurance policies.

So, if you haven't increased your insurance coverage in a while you're in for a big surprise if you face an insured loss.

As a general rule, everything you insure should be covered for at least 80% of its current replacement cost. The 80% you were insured for in 1973 is closer to 72% today.

If the prices of things today makes you squeamish, see your independent insurance agent. He'll explain the in's and out's of staying afloat in today's "flexible" economy.

rfsi *We're always here when you need us.*

*Republic Financial Services, Inc.

Republic Insurance Group • Allied Finance Group

Property, Liability, Life Coverages, Consumer Finance Facilities

Corporate Office: 2727 Turtle Creek Blvd., Dallas, TX 75219 (214) 528-0301

* New York Stock Exchange Symbol – RFS

Express, Merchants Fast Freight and Best Motor Lines, now Arkansas Best—grew up in Dallas.

Republic Bank at the start of World War II lent Texas Instruments money to get into volume production. Today Texas Instruments has become a global complex; its net sales exceed $800 million; it has more than 45,000 employees in 36 plants in 16 nations. And its reputation as a major brain center for space age technology is world-wide.

Conrad Hilton, the hotel magnate, pays tribute in his book, "Be My Guest," to help from a Dallas banker in getting started.

"I had gotten a loan from a banker, R.L. Thornton," Mr. Hilton says. "Bob Thornton was to play an important part in my business life and to be a loyal friend."

Dallas and Fort Worth are the nuclei cities of an 11-county metropolitan area where more than 2.7 million people live. Dallas has a population of 940,000; the city of Fort Worth, 400,000. Dallas County's 1970 census population was 1,327,321 and Tarrant County's (the Fort Worth area) was 716,317.

The population of the metro area has increased 36.8 per cent since the 1960 census. It is the United States' 10th largest metro area in square miles, covering 8,360 of them.

Metroplex has become the name of this dynamic metropolitan area.

The manufacturing labor force in the Dallas market area increased an average of 7,000 employees per year from 1960 to 1970. In 1973 there was an increase of 10,800 manufacturing employees—greater than the combined growth of any other three cities in the Southwest.

There are more than 3,500 wholesale establishments in Dallas and their total annual sales exceed $7.3 billion.

Dallas is a nerve center of America's petroleum industry—123 petroleum-oriented firms with a million dollars or more in assets are headquartered there. Dallas-based oil field equipment manufacturer-suppliers have 700-plus oil field outlets in over half the states and more than 30 foreign nations. Eight major petroleum associations are headquartered in Dallas and 10 prominent petro-



Free Enterprise, Dallas and Lone Star Gas Company... we've all grown up together.

Dallas and Lone Star Gas Company have grown together since the early years of the 20th century. We at Lone Star are rightfully proud of our association with one of the most vibrant cities in the country.

It is well that we look back 200 years and scan the patterns of history which tell us why we are today The United States of America. There are many reasons, of course, why this country prospered and matured. But no concept has contributed more to our inheritance from the past than a government that recognized the freedom of private business to organize and operate for profit, without interference by government beyond regulation necessary to protect the public interest.

Too many regulations constitute an infringement of the consumer's right of decision. They are often the result of governmental "supposition" based on *political* rather than *factual* situations—not on the consumer's best interests.

Freedom from excessive control has helped build cities like Dallas and vital industries like natural gas and petroleum. It is our position that *less* governmental restraint—not more—will help end the present nationwide energy shortage.

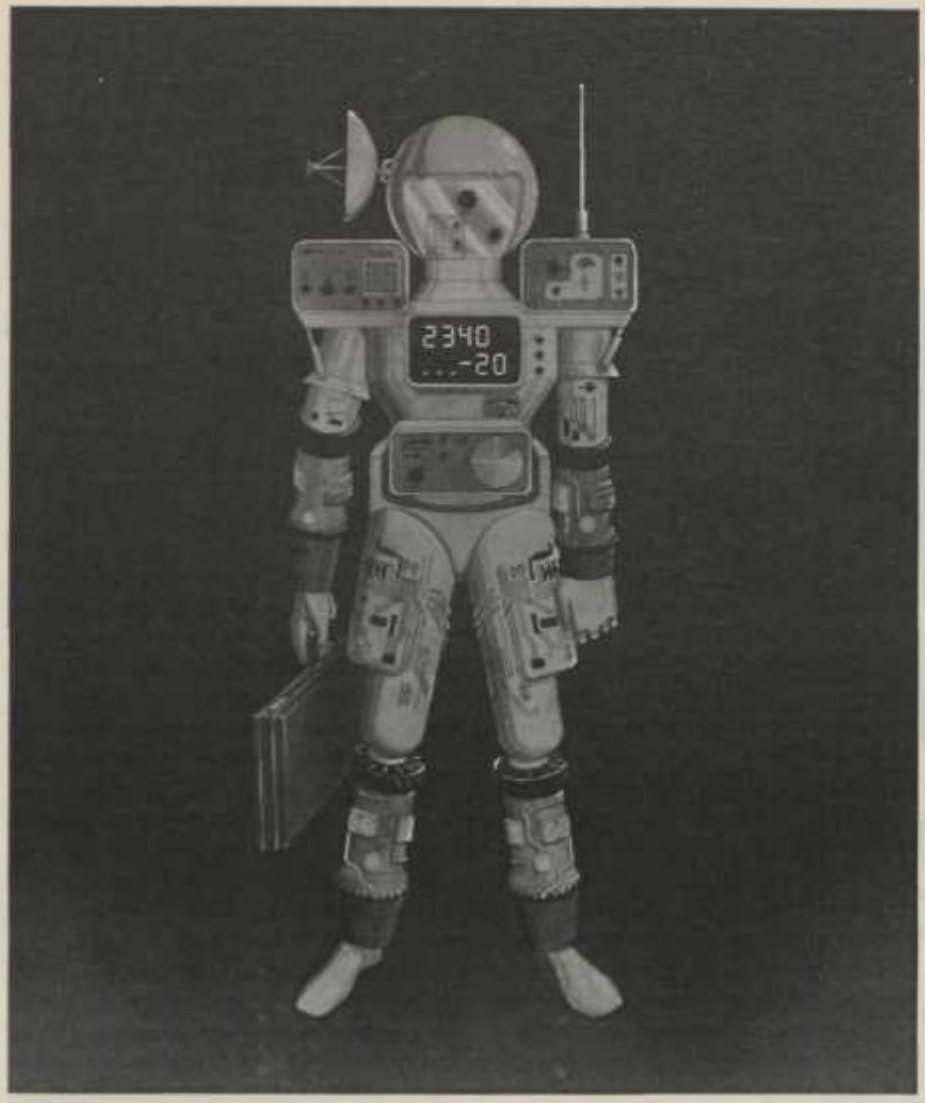
Private industries in this nation *can* and *will* solve the present energy crisis as quickly and as efficiently as time and resources will permit—if allowed to do so. We have the ability, with the support of the government and the people, to stimulate the development of new energy sources for future generations. And it is vitally important that we are allowed to do this to help assure continued economic growth and maintain a sound national defense.

This is the ultimate test, with no guarantees for the producer or the consumer—only the will to supply, and the ability to supply as long as the consumer continues to buy at a price necessary to provide dependable service. The decision should be made individually, in a competitive market.

Free enterprise nourishes growth. Free enterprise is the reason why cities like Dallas, companies like Lone Star—and the nation—have flourished. And it is free enterprise, developed and refined during the past 200 years, that will assure the future growth of America.

Lone Star Gas Company

A Diversified Energy Company
With International Interests



Who we are depends on who you are.

To the National Weather Service, we're the company that developed an automated weather information system enabling forecasters to react far more quickly to potentially hazardous weather than ever before.

To aircraft manufacturers, E-Systems is the company that makes the flight control systems used in the jets of 93 airlines around the world.

To the National Command Authority and U.S. Air Force, we're the company who is developing and installing on board 747-type aircraft a sophisticated communications, command and control system for the Advanced Airborne Command Post program.

To the U.S. Army, we're the No. 1 supplier for tactical radios.

To our stockholders, we're a company that's growing in many domestic and international markets.

Four years ago, we were best known as systems designers for the Department of Defense. In 1970, all but 11% of our backlog was this market.

Last year, at the end of September, 44% of our backlog was for markets other than U.S. defense. And this was on top of the highest third quarter earnings in seven years.

It's been a healthy transition. And we're growing.

You'll be hearing more exciting things about E-Systems. We're making news in a lot of markets now.

Write for our Annual Report. E-Systems, Inc., P.O. Box 6030, Dallas, Texas 75222.

E-SYSTEMS

We solve problems...systematically

DALLAS *continued*

leum-oriented, informational publications go out from the city.

One of the nation's leading concentrations of computer-electronics technology is a high point of the Dallas scene. With more than 300 firms involved in one or more aspects of this complex industry, Dallas provides a complete spectrum of computer-electronics activity—manufacturing to sales to service. Over 100 new companies of this type have been established in the area in the past two years.

There are 198 insurance companies headquartered in Dallas, with assets totaling more than $4.5 billion. An additional 387 insurance firms maintain Dallas branch offices. The city's rapid rise to national preminence in the insurance industry is reflected in the increase in life insurance in force with the companies headquartered in Dallas—from $6.9 billion in 1958 to about $37.5 billion in 1973.

Also, Dallas is one of the nation's three principal fashion centers. Five major apparel markets are held annually, with buyer registration exceeding 50,000. Dallas-made clothing is retailed all over America and in foreign countries. The Neiman-Marcus Fashion Awards, oldest in the industry, are presented annually to the world's outstanding designers.

Dallas earned its prominence as a city of innovative capability, partly because of its extensive research facilities. More than 1,850 scientists and engineers are involved in full-time research, aside from that done in colleges and universities, and are assisted by about 1,500 technical personnel. Company research programs operate with budgets totaling more than $380 million. Areas of research include petroleum exploration and production, blood diseases, speech and hearing, biological fluids, floods, agricultural products, electronics, optics, aerospace, radiation, ecology and communications.

The leading printing, publishing and advertising center in the entire South and Southwest, Dallas has 337 printing and publishing firms employing more than 11,500 workers. There are 177 advertising agencies, 100 commercial art studios and numerous supporting supply and service firms.

More cotton is produced in Texas than any other state, and Dallas is one of the world's biggest cotton markets (most Texas cotton is exported to textile manufacturers, particularly those in the Far East). The Dallas Cotton Exchange Building houses one of the largest segments of the cotton merchandising industry in existence anywhere under one roof. The annual volume of business handled through the Exchange is more than $125 million.

On top all that, Dallas is the nation's fifth largest center for the distribution of motion pictures to commercial theaters.

Dallas has benefited throughout its history from a continuous infusion of new citizens of diverse origins and cultures.

Bryan's village was still in its infancy when a band of French Utopians, including scientists, artists and artisans, established La Reunion on the limestone hills across the river. When the communal colony broke up, most of its families moved into the city. In later movements, significant groups of Swiss and Germans settled in Dallas.

Its development as a distribution center, with many branches of companies headquartered in other parts of the country, brought a steady influx of transferees and their families from other regions. In recent decades, the immigration has been accelerated by other factors, including national awareness that Dallas is a city of opportunity.

Because it has developed as a melting pot, Dallas is distinctly cosmopolitan in its outlook. But in the process of blending traditions and cultures from many parts of America, the community has retained a strong spirit of friendliness which is perhaps its chief legacy from its old frontier origin.

Traditionally, this strong friendliness has not extended to the rival city of Fort Worth. But the common airport and the superhighways connecting the cities have brought them much closer together in both time and spirit.

"As much as two cities only 30 miles apart can do so," Mr. Stemmons smiles, "Dallas and Fort Worth have buried the hatchet." END

DALLAS
DYNAMIC & BOLD





Market time in Dallas, and that's 24 times a year, reflects the dynamic drive that pervades the city. More than 300,000 professional buyers from across the country and around the world come each year to the Dallas Market Center, the world's largest wholesale merchandising complex on one site. They shop for residential and contract furnishings, gifts, decorative accessories, leisure goods, jewelry, toys and apparel. They spend more than $3.5 billion, and that's wholesale.



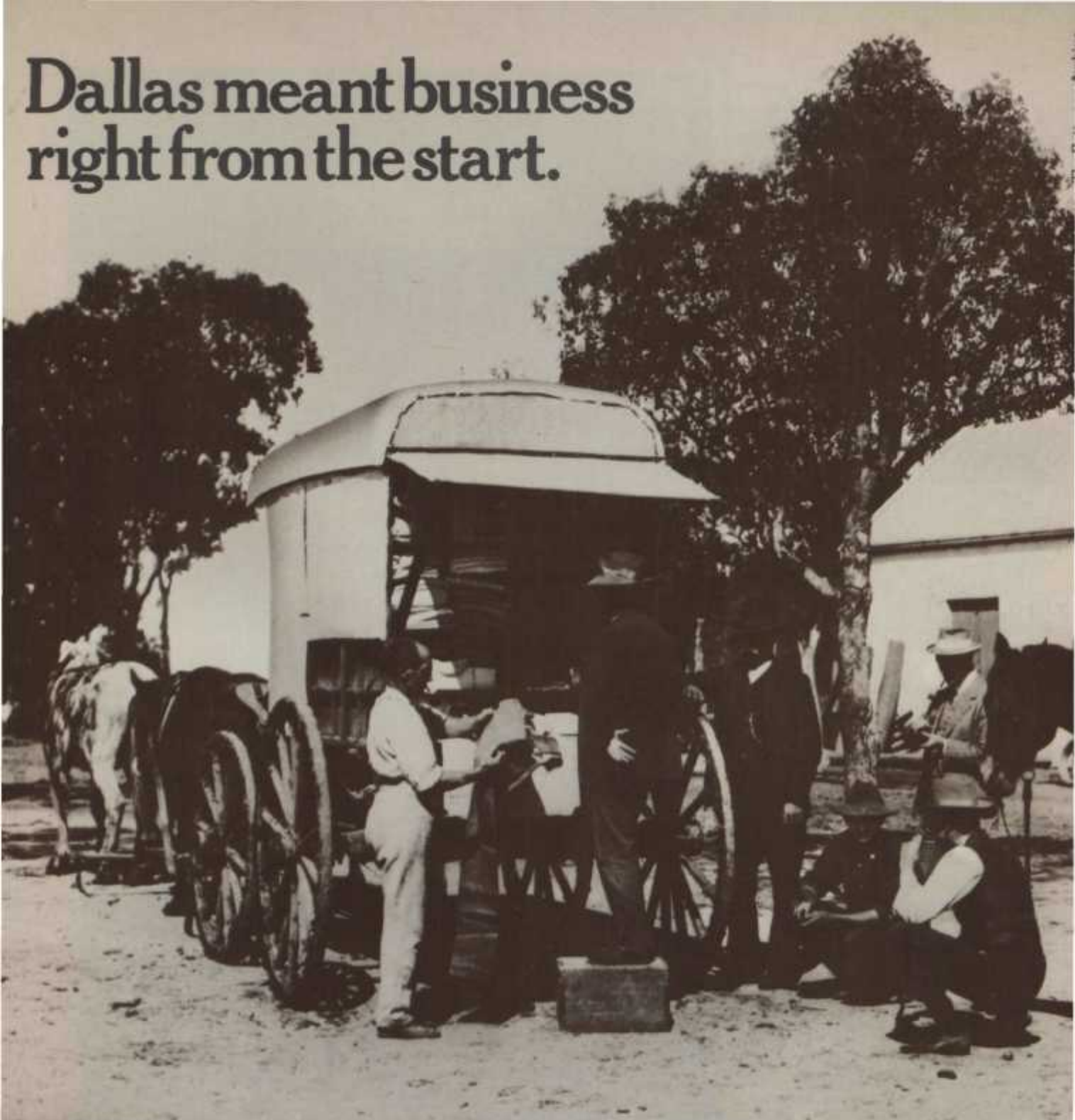


DALLAS
MARKET CENTER

2100 Stemmons Freeway
Dallas, Texas 75207
214/748-6832

Homefurnishings Mart
Trade Mart Apparel Mart
World Trade Center
Decorative Center Market Hall

Dallas meant business right from the start.



Businessmen.

Merchants. Wheelwrights. Printers. Farmers. Lawyers. Blacksmiths. Traders.

They came from all over. And they all came for the same reason.

Opportunity.

Many found it, with the help of First National Bank in Dallas.

Our name was different 100 years ago, but not our financial resourcefulness. That thread ties the past to the present and points toward the future.

Businessmen continue to come to Dallas. Their expectations are the same: opportunity.

They continue to find it, many with the financial know-how and management talent of the $4 billion First National Bank in Dallas.

Today, a majority of Fortune Magazine's 100 largest corporations use our regional banking services.

Dallas still means business.

FIRST NATIONAL BANK IN DALLAS

Member FDIC

A subsidiary of First International Bancshares, Inc.

How to Succeed in Fitness Without Really Trying

For a minimum outlay of exercise and time, a maximum return in good health

Like most executives, you probably think there is a better way to do just about everything—except get yourself into better physical condition. You know you should be in better shape, but you'd rather walk through a fire than run through a daily exercise grind.

And, unfortunately, you can't find a better way to fitness. Or can you?

We think so. It's called "The Lazy Man's Guide to Physical Fitness," but it also could be called "The *Busy* Man's Guide to Physical Fitness." Because it prescribes the minimum amount of exercise necessary to keep you in condition, with a minimum expenditure of time.

The concept was distilled from years of research and observation in exercise and fitness—and is meant to meet what is actually a national emergency, one most acute among hardworking but soft-bodied people. Like business executives.

Here are some signs of that emergency:

- There are an estimated 60 million overweight Americans.
- Research indicates the average American man has a middle-aged body by age 26.
- The incidence of death from heart disease has increased in men by 2,000 per cent during the past 30 years.
- Hypertension, or high blood pressure, is an epidemic, affecting some 23 million of us.

When you add in the stress of modern life and the hazards of smoking, you get a rather dismal picture of the average American's health.

And what is the average American doing to brighten that picture?

Nothing. A recent report by the President's Council on Physical Fitness and Sports showed that almost half of our adult citizens engage in absolutely no physical activity whatever. Of the remaining 55 per cent, less than one in five say they exercise regularly, while the rest say they get "some exercise." Which probably means that they swim 20 feet across a pool every Saturday during the summer, and then sit and sip a martini.

DRAWINGS: CHARLES A. DUNN



One of four basic exercises

Despite a reported "boom" in physical activity, it is obvious there is no real boom. Otherwise the parks would be as crowded with joggers as the cocktail lounges are crowded with drinkers.

And the reason people don't exercise is simple: It's too much trouble and too painful, they believe.

So the problem facing those of us concerned about America's health is: How do you get people to exercise?

The answer, as we see it, is to demolish the myth that good health comes only at the end of a daily five-mile run or an hour of calisthenics every morning. That is bunk! You don't have to punish yourself to be fit.

Fitness can be attained with one brief session of exercise every few days. And by *thinking active* all the time.

What's the trick? No trick, merely a physiological fact: When you get in condition, deconditioning does

This article was adapted from the book, "The Lazy Man's Guide to Physical Fitness" (Greatlakes Living Press, 435 N. Michigan Ave., Chicago, Ill.) by Kenneth D. Rose, M.D., and Jack Dies Martin. Dr. Rose is a former chairman of the American Medical Association's Committee on Exercise and Physical Fitness.

CHARLES A. DUNN, *who made the drawings for the article, is in pretty good shape himself, for a man of his age. He turned 80 last month. Mr. Dunn has been doing illustrations for Nation's Business for 54 years.*

How to Succeed in Fitness Without Really Trying *continued*

not begin to set in until after three days of nonactivity. Therefore, you can keep your body in tune without daily exercise, provided you work out a couple of times a week.

While we are demolishing myths, it might be good to mention that you do not have to do 50 push-ups or 50 sit-ups during those twice-weekly sessions, either. Anything over 10 is window dressing.

Four exercises, plus

The "lazy man's" plan has no window dressing—only four basic exercises. They are to be done along with an "aerobic function" activity—that is, something to make you breathe hard and increase your heart-lung



Twice a week keeps you fit

capacity. For the deskbound person starting an exercise program from scratch, we recommend doing these routines daily for four weeks to get in shape, and then twice weekly to stay in shape.

These are the exercises:

1. *For upper torso including arms, hands and shoulders —the chair hang* (originally recommended by Thomas L. DeLorme, M.D., Boston, Mass.). Place two strong kitchen chairs back to back with enough room in between them for your body. With a hand atop each chair back, lift your feet up and hold your body suspended until you tire. Rest. Repeat up to 10 times. As you gain strength, let your body sink toward the floor by bending your arms, then straighten them out to raise yourself back up. Practice until you can do this 10 times.

2. *For abdomen and back—the bent-leg sit-up.* Lie on your back and hook your feet under a couch or have someone hold them. Make sure your knees are bent—



No daily grind necessary

painful lower back trouble can result from the old-fashioned straight-leg sit-up. Lock hands behind your head and slowly raise your body up and forward between your legs as far as you can go, then return to resting position. Repeat, increasing the number of repetitions until you can do it 10 times. This won't make that roll of fat magically melt away but it will help pull it in by giving you rock-hard abdominal muscles.

3. *For back and arms—the push-up.* There is nothing better for strengthening the back. Lying flat on your stomach, with hands at the sides of your chest, hold your back straight and legs rigid and push up by straightening your arms, then slowly return to starting position. Do 10 push-ups. Don't let your back sag. If you have difficulty, rest your knees on the floor while doing the push-up. As you gain strength you can assume the regular stance.

4. *For legs and feet—walking.* Simple, eh? But most people don't do the kind of walking we're talking about, they merely stroll short distances. We are talking about walking *briskly* for appreciable distances, half a mile or a mile at a time. Walking and stair climbing are without equal as leg exercises. And just by making gradual adjustments in your walking habits, in pace and distance, you can markedly increase your benefits from walking.

For example, if you live a mile from the train station, walk it smartly, don't take a bus. If you work on the 40th floor, get off at 37 and walk up. That's the sort of "thinking active" mentioned earlier. Most people believe swimming is the best exercise because it brings virtually all muscles into play. What they don't know is that walking does the same thing.

The "aerobic function" activity is the most important element of your exercise program. Without

good heart-lung capacity you can have the body of a Tarzan and still risk dying on the vine from cardiovascular disease.

So we recommend a minimum of 10 minutes of aerobic conditioning.

Building a reserve

Your aerobic activity can be jogging or very fast walking outside, or jogging in place or skipping rope inside. Or even doing one of those dervish-like Russian dances, for that matter. The type of exercise is secondary; what's important is getting your heart rate and respiration up past a certain threshold. After that, you start building up heart-lung capacity.

How do you reach that threshold? By attaining 70 per cent of your maximum heart rate. Here is a chart of maximum rates for various ages; to find yours go to the age nearest your own (for instance, if you're 38 use 40).

Age	Rate
30	190
35	185
40	180
45	175
50	170
55	165
60	165
65	160

Say you are 38. Your maximum heart rate is 180. To get into cardiovascular "overload," where you start building up your reserve capacity, you must hit 70 per cent of 180, or 130 beats per minute. You can determine this by taking your pulse and using a watch or clock with a sweep second hand. Count your pulse beats for 15 seconds and multiply by four.

At first, it won't take you long to get into overload; as your condition improves it will take longer. For purposes of timing your sessions, you will want to reach overload within a specific period, say three minutes.

To do that you may have to increase the pace of your exercise as you get in better shape.

Once you hit overload, continue the jogging, rope skipping or whatever for at least five minutes and preferably 10.

Slowing your pulse

As you progress, you will find that you can easily gauge one major benefit: Your *resting* pulse rate will go down. That's the rate you have when you are just sitting around relaxing. The reason it goes down is that exercise makes your heart capable of pumping a greater amount of blood with each beat—doctors call it increased stroke volume. It means your heart is doing more work with fewer beats—it's stronger.

The so-called "average" resting pulse is 72 beats per minute, but this varies widely among individuals. Finely conditioned athletes may have a rate of 40 to 50. The slowest we have encountered in a normal person was 32.

What should be your resting pulse goal? If you can get it below 70 you will be in shape; 60 or lower will mean you are in great shape.

Before doing any of these exercises, a note of caution: Get a medical checkup, just to be on the safe side.

Well, there it is, a program of minimum activity that can certainly be followed by even the busiest businessman, or the laziest person. There is no way to become fit without some physical effort, and don't let anyone ever sell you the idea of effortless exercise.

But using this program, you can keep your body in tune by working out only about one hour each week.



Think active

You will also note that no special equipment or facilities are needed for any of the exercises. They can be done outdoors, indoors, at home, in a hotel room or in a good-size broom closet.

Don't kid yourself that you can get your exercise by golfing, bowling or similar pursuits. You have to *work* your body to strengthen it, and that especially goes for your heart and lungs. But you only have to work briefly, as we have shown.

Look at it this way: For a minimum outlay of effort you can get back a maximum return in good health, vitality and greater enjoyment of life.

That's good business. END

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LESSONS OF LEADERSHIP
PART CXVI

Ralph Ablon of Ogden Corp.

Higher profits during a slump

You might picture the top man at a big conglomerate enjoying rapid growth during a general slump as a desk-pounding executive to whom work is everything and who practically lives in his office.

If so, Ralph Ablon, chairman and president of Ogden Corp., one of the fastest-growing major companies in the country today, would be out of place in your picture.

He's a low-keyed, philosophical type who generally works a four-day week and whose outside activities include astronomy, furniture-making and "talking with Nobel Prize winners."

But there's no doubt that Mr. Ablon, 58, is the man who masterminded (he'll object to the use of that word—he frowns on the "business genius" idea) Ogden's metamorphosis from a handful of companies going their separate ways into a tightly run giant with 1974 sales of about $1.8 billion, and net income in the $46.5 million range (final figures are not in yet).

When he took over in 1962, sales were $405.5 million and income was $50,000—"a penny a share," he recalls.

About half the increase in sales has taken place in the past three years, and earnings went from $1.63 a share in 1972 to more than $4.60 last year.

That performance is tied directly to the fact that Ogden's principal activities are in or connected with production, supply and distribution in the energy, metals and food fields—growth areas even in today's economy.

Ogden has an unusual background. It's an outgrowth of Utilities Light & Power Corp., a public utilities holding company controlled by Floyd Odlum, well-known financier and executive of bygone years. When New Deal legislation ordered the breakup of such companies, Mr. Odlum organized Ogden Corp., named for his hometown in Utah, to liquidate Utilities Light & Power.

Ogden wound up as little more than a corporate shell but it did have a charter and a listing on the American Stock Exchange, then the Curb Exchange. (Today, Ogden is on the Big Board). Allen & Co., investment bankers, bought Ogden in 1951 for those assets and set out to build on them.

By 1955, Ogden owned three small firms making plumbing fixtures, filters and equipment to display stock prices in brokerage houses.

In that year, Ogden made what turned out to be a landmark acquisition, taking over Luria Brothers & Co., then of Philadelphia, Pa., a major dealer in ferrous scrap metal. Its president was Ralph Ablon, whose wife was a daughter of one of the owners. They had met when both were students at Ohio State University.

Mr. Ablon had gone to work for Luria from Ohio State, where he was a graduate instructor in business for a year after getting his B.A. degree. (He served in the Navy in World War II and returned to the company in 1946.)

After running Luria as a subsidiary of Ogden for seven years, he was invited to take over the leadership of the parent corporation and make it into a genuine operating company. It

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Ralph Ablon *continued*

was a heady opportunity for an executive: To decide the basic policies and structure of a corporation and then build it along the lines he'd laid out.

Today, after years of divestitures and acquisitions, Ogden Corp. has subsidiaries which build ships for the Navy and the merchant service; operate a fleet of 25 vessels, with 12 more to be added by 1979; make offshore rigs and other equipment for underseas oil and gas exploration; provide stevedoring and other services at East Coast ports; recycle or export over 10 million tons of metal scrap a year; manufacture freight cars; and produce metal components for office, industrial, agricultural and recreational equipment.

A food division produces and cans fruits and vegetables; raises beef and markets beef and beef products; and provides food service for airliners, sports stadiums, theaters, airports, schools and industrial plants. Another unit owns five racetracks and provides food, security, maintenance and other services to them and to many independent accounts.

An Ogden venture into real estate development didn't work out so well, and the company has no plans for pressing on in that area.

But that was a relatively small problem, and Mr. Ablon views the company's future as particularly bright.

He talks about Ogden, his role in building and running it, and what's ahead, in this interview with a NATION'S BUSINESS editor at the corporation's New York City headquarters:

Ogden has been called recession-proof. Is it?

Recession-resistant is more like it —I don't believe any company is recession-proof. But after six years of improving earnings, we are confident about this year and the years after that.

We expect to double our 1973 earnings by 1978—and I'm talking about high quality earnings.

What do you mean—"high quality earnings?"

We distinguish between high quality and high quantity earnings. High quality earnings are relatively certain and don't depend on favorable business conditions. The only thing that could threaten them would be a severe depression, which I don't think anybody contemplates at the moment. High quantity earnings, on the other hand, require favorable business conditions and are not nearly as reliable in the long run.

Let's look at some of your areas of operation. Why do you feel that earnings in your shipyards and shipping fleet will not be affected by ups and downs of the business cycle?

Our shipyards expect to have a backlog of over $1 billion, largely in fully escalated contracts, which reflect increases in our costs. We are earning substantial profits in our shipyards. We are also very much involved in providing equipment for exploration and drilling for oil under the ocean, a field that is expanding rapidly and will continue to do so in view of world energy needs.

There have been reports of excess tanker capacity throughout the world. Does that mean there won't be jobs for some of your tankers?

Most of the ships coming into our fleet are on charter. We applied an admissible risk theory to the building of our fleet. We determined that we would buy a ship, which involved a certain risk, but that we would not acquire another one until we had chartered the one that was being purchased.

For example, we have a 265,000-ton tanker, that cost $19.5 million, on eight-year charter to a major oil company. When that charter expires the ship will be fully paid for and we will have reported about $10 million in profit. The construction cost of a similar ship has risen to about $50 million, so we will have an eight-year-old tanker worth more than it cost.

Now we could have made a lot more money in the spot market at the time it was delivered, but we would not have had self-servicing debt. When that ship comes off charter, fully paid for, it will be able to earn, even at today's depressed charter rates, well over four times what it is currently earning. We can op-

erate that ship at even a third of today's charter rates without losing money.

What is the long-term outlook in your other areas—metals and food?

Our metals business is basically recycling scrap. There is a growing feeling in countries with raw materials that "after all, these are our raw materials and we will charge what the traffic will bear," so there is sharply increased demand for recycled metals.

And another thing: We turn over some of our inventory 18 times a year, under contracts based on the cost of materials and a reasonable profit. Our profits in this area—they are substantial—are high quality because they don't depend on the ups and downs of speculation. The same is true of other areas of our metals business.

As far as our foods division is concerned, we have benefited from the accelerating trend to private labels and from the growth in the market for convenience and specialty foods, so we are sharing in a major growth area at minimum risk.

How did Luria become part of Ogden?

By the 1950s, I felt that Luria had gotten too big to remain a private, family-owned concern. We were up to $600 million a year, and there was an increasing proliferation of ownership by people disinterested in the business, such as grandchildren.

Luria's headquarters had been moved to New York by then, and a close personal friend of mine there was Charles Allen, head of Allen & Co., which was the majority stockholder in Ogden as well as its investment banker. At his suggestion, I agreed to arrange for discussions with Luria. Then I withdrew—I didn't own any Luria stock.

Ogden thought enough of the company to buy it. So the merger came about because Charlie Allen trusted me and I trusted him. We were both right. It has been a good company for Ogden and I have enjoyed the association.

You continued to run Luria as part of the Ogden operation. What was Ogden like then?

It was a holding company operation, essentially. While there was a small corporate group, it did not really involve itself in the actual operations of Luria and its three other subsidiaries at the time. In fact, the heads of the companies didn't even know each other.

How did Ogden begin to evolve into its present form?

By 1962, the Ogden management became concerned about the way things were going—the inadequacy of corporate control and problems arising from that situation. They saw a need for a more active role by the corporate management in controlling the various companies. Allen & Co. was involved in those discussions and I was asked if I wanted to run the corporation. Once we agreed we were talking about making Ogden a real operating company, I was glad to become chairman and president.

How did you tackle your new job?

With two people I had brought in with me, I began the planning for what we wanted Ogden to be. We reached several basic conclusions:

The world we would be operating in would be much more mass-consumption oriented than mass-production oriented. Also, we should avoid highly capital-intensive industries, because of the inadequacy of amortization. And we should avoid those that were based on high technology, because technology changes too rapidly—it goes out of style too quickly.

If any of the existing companies in Ogden did not fit that basic design, we agreed, we would get rid of it.

Then we set out to make acquisitions in accordance with our plan.

How did you bring the central corporate management into actual direction of the subsidiaries?

We agreed on a management style based on breaking down the decision-making process. A very small central management reserves to itself decisions on strategy and administration, while operating decisions are made by the heads of the subsidiaries —which we call "capability areas."

The theory behind this approach is that, for the most part, one man cannot make both management and op-

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Ralph Ablon *continued*

erating decisions. We have very competent people running our capability areas, but the pressing nature of operating decisions means they just don't have time to concern themselves with strategic questions that the corporate management must consider—like what kind of an environment we will be living in five or 10 years from now.

They are concerned with doing things right. We are concerned with doing the right things.

What is the "very small central management" you mentioned?

We have just five people in the central management—myself, vice presidents for communications, legal affairs and finances, and a man in charge of our corporate development section, which is the liaison with the capability areas.

We don't believe in group vice presidents. If somebody can do the job better than the man on the firing line, he ought to be on the firing line himself.

But how far can you go in giving your operating people responsibility?

Of course, you have to make sure they don't get you into serious trouble. So we have controls that guarantee that no operating decision can be of sufficient magnitude to pose a real serious problem. In other words, we reduce the potential impact to an admissible risk area.

How do you do that?

I personally approve all capital expenditures over a very modest amount, working within a capital expenditures budget. We control the money, all employee benefits, sale of corporate assets and hiring over a certain salary level. I even must approve firing anybody over a certain salary level.

Of course, that means I might be in the position of having to approve the firing of a man I didn't even know. But the purpose is to try to protect the corporation's interest in the man, not just let him be fired without enough cause. The people who want to let him go must be prepared to back up their case.

How deeply do you go into the actual workings of this big, complex company?

Very deeply. My day consists of conversations on how everybody is doing—last month's numbers, the latest figures on fixed expenses and variable expenses, contracts being negotiated in the shipyards. I am the chief executive officer and I make the decisions here.

Now, I cannot in fairness argue with the man who runs the shipyard about how to build a ship. So, while I am interested in what he thinks, I am more interested in why he thinks it. If he is proposing a new project, he must be ready to demonstrate that it has commercial, technological and financial feasibility.

What's involved there?

Commercial feasibility means simply that it will pay off under nonfavorable economic conditions.

Technological feasibility means that we are dealing with proven, in-house expertise, that we have an empirical basis for saying we can do whatever it is. Financial feasibility means that a project will earn enough to pay off any debt we incur for it.

A good part of my job is knowing what questions to ask, rather than knowing the answers. I think I am far more familiar with what goes on in this company on a day-to-day basis than any chief executive I have seen in a comparable company.

How do you go about anticipating the business cycle as part of your planning?

We don't try to predict it with any precision. We think it is more important to be aware that a company is in its greatest jeopardy when business is either very good or very bad.

If management isn't very careful, it tends to destroy the company at either of those ends—by being foolishly presumptive that what is going on today will go on forever, and thereby getting into great trouble when the tide changes; or by believing the world is coming to an end, and practically destroying the company when business hits the bottom.

Essentially, when business is good we plan for its being not so good. When it's not so good, we plan for it to get better. I feel this very simple kind of reverse planning has protected us for many years.

You've been the only top man at Ogden all through a period of terrific growth. At the same time, you have



Horseback riding is one of Ralph Ablon's favorite activities at his farm in Connecticut, where he spends what usually are long weekends. He also has an apartment in New York City, where he lives during the workweek. Business trips to Ogden Corp.'s many operations often take him away from both places.

said a corporation's success does not depend on "superstars." What do you mean by that?

There isn't anything more dangerous for a corporation than a belief in genius. I don't mean the kind of genius that leads to great inventions or the painting of great pictures. I mean the assumption by a corporation that someone is a superstar—or genius, if you will.

Such an individual has to prove constantly that he is always right, and that leads to the feeling that he has to know what is going to happen tomorrow. That's diametrically opposed to the solid principle of agreeing that we don't know what is going to happen tomorrow, but must work with what is likely to happen.

A corporation's success depends, in order of importance, on the general level of the economy; the areas in which it is doing business; its strength in terms of its balance sheet; its basic policies; the loyalty of its organization and—lastly—the genius of its management.

Don't we often hear that some "business genius" has turned around this or that company?

You hear a management say: "We are going to take over this company because their management is doing a very bad job and we will do a much better job."

There is a built-in error here. You can bet the management being taken over is not that bad, and the management taking over is not that good. When you add the two together, you get compound error.

I have never seen situations turned around by specific management technique. I have seen them turned around by change in the economic climate.

You have an unusual retirement policy at Ogden, don't you?

We don't believe in mandatory retirement—we don't believe that a man who goes to bed Wednesday night as a very efficient member of the organization wakes up Thursday morning of no value to us.

But we have what we call mandatory "retreat." We don't permit men who reach 65 to retain senior operating responsibilities. Room has to be made for other people to move up.

Upon reaching 65, individuals "retreat" to our senior management group, where we put emphasis on their "know-who" and—to a lesser extent—on their know-how.

We put them on specific projects with a specific assignment, and pay them adequately. It's worked very well.

What kind of projects are they assigned to?

A man who was head of our shipyards did some very valuable work for our food-service people in an area where he had a lot of contacts. A man who gave up senior responsibility in our marine terminal operating area has been very useful in our shipyards. He knows a lot about ships.

Mrs. Tillie Lewis, who founded and ran our food company, has been very effective on our board and our finance committee, and she has done a superb job in our public affairs program.

A firm policy here is that the individual must move to an area other than the one he or she has been in. He is not then looking at his successor and thinking he would have done it better. And he forgets too easily that he is no longer the boss.

It's unfair both to him and his successor.

Some executives belong to the "my-job-is-my-life" school. I take it you're not one of them.

We have to realize that our jobs are a means to an end, not an end in themselves, and we can't expect them to give us total personal satisfaction.

Also, it's a very real risk to a corporation to have an executive who measures his own happiness solely by corporate accomplishments. He tends to blame his associates, and even the corporation itself when it doesn't provide him with the total satisfaction it shouldn't be expected to provide.

What do you do for recreation?

I have a farm in Connecticut and try to go up there Thursday night for the weekend. I have a woodworking shop and turn out furniture, like this coffee table in front of us or that cabinet over there. We have riding horses, I raise dogs and I like to read.

My wife and I get a chance to talk. I have a Celestron 8 telescope up there—which is about as good as can be used by somebody who doesn't know very much about astronomy.

In addition, I have my four children and my three grandchildren. And I'm a trustee of Rockefeller University, which as you know, is a medical research center here in New York, and I get over to it from time to time.

I like talking with Nobel Prize winners. It's very invigorating.

How do you arrange your time so you can work a four-day week?

I cannot always arrange my time in that way; occasionally, meetings are scheduled in the city or I am at the tag end of a business trip on Fridays.

However, as often as possible, I try to spend Fridays at my farm, thinking about the longer range business problems, writing my own speeches and articles, and reflecting, without telephone or appointment interruptions, on some of the more pressing strategic business challenges.

So you do spend some time on work on Fridays. Do you also ponder business problems on Saturdays and Sundays?

No, not at all. There are people who worry a great deal about things happening that they don't know about or can't control. But generally, I have a pretty good idea of what our reasonable expectations are, and in all the years I've been here, with few exceptions, things have developed that way.

I've never had one of those "My God, how did that happen?" problems hit me.

And anyway, I'm just not a worrier by nature. END

REPRINTS *of "Lessons of Leadership: Part CXVI—Ralph Ablon of Ogden Corp." may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20062. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.*

ALABAMA'S ALLEN: Bucking



During his first term, Sen. James B. Allen (D.-Ala.) twice received the Golden Gavel award given by pages to the freshman member who spends the most time presiding over the Senate—a job usually delegated to newcomers when the Vice President or the Senate president pro tempore isn't filling it. Looking on are Majority Leader Mike Mansfield (right) and Minority Leader Hugh Scott.

It was a blockbuster of a bill that would have led to new heights of bureaucratic involvement in business affairs—one critic predicted it would result in a direct federal role in "every transaction relating to goods and services" in the country.

The House had already passed its version of the legislation to set up a federal Consumer Protection Agency, and a Senate version was picking up momentum.

Empowered to intervene on behalf of "consumer interests" in matters before almost all government bureaus, the proposed agency would be still another adversary for businesses struggling to untangle regulatory problems.

The legislation's sweep was dramatized by its definition of consumer interests—"the substantial concerns of consumers relating to any business, trade or marketplace transaction." Appeals from much of the business community for a fairer shake in the measure went unheeded by the Senate's Government Operations Committee as it sent the bill to the floor with an 11-to-two vote of approval.

There, a procession of senior Senators, the powerful and well-known, opened the debate with glowing tributes to the bill.

They included such veterans as

the Anti-Business Tide

Abraham A. Ribicoff (D.-Conn.), the chairman of the government reorganization subcommittee of the Government Operations Committee (who moves up this month to head the full committee); Jacob K. Javits (N.Y.) and Charles H. Percy (Ill.), ranking Republican members on Government Operations; and Warren G. Magnuson (D.-Wash.), chairman of the Commerce Committee.

The leader of the opposition to that array of heavy Senatorial artillery appeared at first an unlikely candidate for the role.

He was James B. Allen (D.-Ala.), a freshman Senator little known beyond his own state.

"It is hard to believe this body, the greatest chamber of government in the world, would seriously consider such a course of action at a time when increasing federal spending and a burgeoning bureaucracy are running amok around us," he told his colleagues in a soft-spoken Southern accent.

Rather than protect the consumer, he said, the proposed agency would be "nothing more than a disruptive force empowered to wander to and fro through the halls of government and . . . engage administrative agencies in guerilla warfare."

Unbusted filibuster

Those fighting the bill used the filibuster as a major weapon. Sen. Allen, as their floor leader, displayed dazzling knowledge of the intricacies of the Senate's complex rules, and masterminded the strategy that kept the other side from marshaling enough votes to break the filibuster.

Of course, filibusters these days aren't what they used to be, when a Senator had to stay on his feet and keep talking, even if he did no more than read recipes or obscure newspaper stories, in order to hold the floor against opponents who stood ready to seize it and pass whatever legislation he had stalled.

(South Carolina's Strom Thurmond, then a Democrat and now a Republican, holds the modern record for nonstop Senatorial talking: 24 hours and 18 minutes against a civil rights bill in 1957.)

After Sen. Mike Mansfield (D.-Mont.) became majority leader, a gentleman's agreement evolved.

Planners of a filibuster now need only signify their intention to conduct one. Then they remain ready to talk if an attempt is made to pass the legislation they oppose, but the Senate can conduct other business in the meantime. And Sen. Mansfield or his lieutenants see to it that the filibuster's leaders are notified if any developments affecting their interests are imminent.

But all that has not changed the basic rule that two thirds of Senators present and voting are required to cut off a filibuster to pave the way for action on the disputed legislation. Nor has it changed filibusterers' extensive maneuvering, at which Sen. Allen has displayed great skill, to prevent the majority from rallying the necessary two-thirds vote.

The Allen forces held together and won that first big battle against a consumer protection agency.

That was two years ago. The bill still hasn't become law, although there was another all-out drive to enact it last year. Once more, Sen. Allen resumed the role of floor leader, and was successful.

Advocates of the bill plan to bring it up again in the new Congress.

This time, the job of those who see it as a danger to the free enterprise system will be more formidable.

While backers of the proposed agency failed four times last year to rally enough support to shut off a filibuster, their losing margin the last time was only two votes. And six Senators who sided with Sen. Allen did not return to Congress this year because of retirement or defeat at the polls.

That situation is one of the more striking examples of the potential problems posed for the business community by the sweeping changes that took place in the November Congressional elections.

A tilt to the left

Professional political analysts are unanimous in the assessment that the new Congress will lean more to the left, and be more favorable toward such propositions as the consumer agency, a superexpensive version of national health insurance, and tax law revisions that could prove costly to business.

Conversely, greater exertions will be needed to gain a fair hearing for business on these measures and on such federal interventions as the Occupational Safety and Health Act, environmental restraints, roadblocks to capital formation and other impediments to resolving the severe economic problems the nation faces.

Some election insights on the membership of the Congress that will be dealing with these issues:

- Of 33 Senate candidates endorsed by the AFL-CIO, 26 were elected. Of 388 House candidates who ran with big labor's support, 269 were elected.
- There will be over 90 new members in the 94th Congress, and 70 of them had AFL-CIO backing. Of 11 new Senators, nine had support from the giant labor organization, which

Alabama's Allen: Bucking the Anti-Business Tide *continued*

is planning to step up its high-powered lobbying machinery on behalf of a long list of goals that could produce serious problems for business in terms of increased taxes, operating costs and further government intervention. [See "Labor Flexes Its Legislative Muscle," page 58].

Sen. Allen will be at the center of the inevitable controversies that will develop over many issues of major importance to the business community.

Reelected (the only incumbent Senate Democrat not endorsed by the AFL-CIO) in November to a second term, he says he will continue fighting "against the federal bureaucracy's growing tendency to take over the lives of the people of this country by continually seeking control of our local institutions, and against the proliferation of government controls and regulations in the private economy."

Jim Allen's political career began in 1938 when, as a young lawyer in Gadsden, Ala., he was elected to his state's House of Representatives.

He resigned in 1942 to serve in the Navy and, after returning from combat service in the Pacific, was elected to the state Senate in 1946; served two terms as Alabama's lieutenant governor, 1951-55 and 1963-67; and won election to the U.S. Senate in 1968.

"Basic beliefs"

During his Washington career thus far, he feels, he has come down repeatedly on the side of "the Constitution, free enterprise and individual initiative."

All three are elements of a code of "basic beliefs" he has drawn up as a benchmark for his constituents to judge him by. Other parts of the code:

"Back our armed services. Balance the budget. Live within our income. Limit powers of big government and of the Supreme Court. That government is best which governs least. Return control of schools and other local institutions to state and local governments. Establish a code of ethics for the Senate. Effective protection of lives and property from riots. Economy and elimination of waste instead of increased taxation. No economic aid for America's enemies."

Quiet, hard-working, unfailingly courteous no matter how heated the debate, Sen. Allen, 62, has nevertheless gained a reputation as a tough scrapper.

He has tangled with—and bested—such adversaries as Sens. J. William Fulbright (D.-Ark.) and Edward M. Kennedy (D.-Mass.). Mr. Fulbright, a five-term Senator (who, because of a primary defeat, is not back for a sixth), was reduced to grumbling about newcomers not knowing their place and Sen. Kennedy to complaining that the Senate was reaching the point where it couldn't do business unless a two-thirds majority was organized to break a filibuster.

Jim Allen's acute grasp of the Senate's highly complex operations rules has won him praise from colleagues who have put far more time in on Capitol Hill than he has.

Sen. Robert Byrd (D.-W. Va.), the assistant majority leader, calls him "the best parliamentarian now serving in the Senate," and adds: "I bow to him."

When Sen. John Stennis (D.-Miss.), considered by many in Washington to be the Senate's most highly respected member, succeeded in winning passage of a bill to require uniform national enforcement of laws on school desegregation, he told Sen. Allen before their colleagues:

"I never made a major decision on or off the floor without a full conference with you. . . . You were my official and personal parliamentarian."



As a member of the Senate Committee on Rules and Administration, Jim Allen participated in the hearings on the Vice Presidential nomination of Nelson A. Rockefeller, here paying a courtesy call in the Senator's office.

And Sen. Sam Ervin (D.-N.C.), who has just retired from the Senate, comments: "If I had to stand with one man and battle for the Lord, I hope that man would be Jim Allen."

Despite the scorn that for decades has been heaped on the filibuster from some quarters, Sen. Allen is not the least bit defensive about using it as a major strategic weapon.

He says the rule requiring a two-thirds-of-those-present vote to shut off debate is a vital safeguard for the average American citizen. It "keeps

the majority from riding roughshod over the minority," he says. "The majority is not always right." He explains:

"Not only can we move agonizingly slowly in the Senate, but we can also move with careless and precipitous speed. The Senate sometimes passes legislation involving billions of dollars with little or no discussion and no recorded vote.

"It could pass bills having to do with the welfare, rights and liberties of the people of the country the same way, if we didn't have a method for saying: 'Now just hold up here and let's have a good look at what is happening. Let's give a lot more careful scrutiny to this bill, point out its defects and allow the country to catch up with what's going on.' "

Then he adds a footnote:

"One thing that tickles me is that the very fellows who have criticized the filibuster are not above using it when it is to their advantage.

"In 1972, there was a bill up to prevent forced busing for purposes of racial balance and it was filibustered to death by two of the greatest opponents of the filibuster—Sens. Javits and [Alan] Cranston [D.-Calif.]. Also, Sen. [William] Proxmire [D.-Wisc.] has been against the filibuster, but he used it to fight the bill to go ahead on the supersonic transport plane. It depends on whose ox is being gored. They are all against it until it comes time to use it themselves."

A campaigner on financing

Campaign-financing legislation is another area in which Sen. Allen has taken a leadership role, particularly in opposing proposals for providing tax funds to political candidates—a position in which he shared the views of a large segment of the business community.

While a measure for public financing of Presidential elections was enacted, Sen. Allen feels that his stand resulted in several improvements.

"What I objected to throughout the debate," he says, "was using public financing and campaign reform as synonymous terms. My idea of campaign reform is to limit the expenditures and also avoid having the taxpayers foot the bill for them."

Sen. Allen's own campaign spending has very definitely been limited. He reports he spent "considerably less" than $40,000 on each of his campaigns for the Senate (he had no opposition in the last one).

Also, he says, he owns "no stocks or anything else that might possibly create a conflict of interest" and "while I have been in politics quite some time, I have never accepted an honorarium for any purpose from anybody. I just don't do that."

It was Sen. Allen's initiative that resulted in a campaign-finance law amendment limiting honoraria paid by various organizations to members of Congress for delivering speeches, participating in panel discussions, etc., to $1,000 per appearance and a maximum of $15,000 a year.

Some members, most of them better-known Senators, have received up to $85,000 a year in such fees.

Says Sen. Allen: "When I started out in the state legislature and later served as lieutenant governor, I was making my living from practicing law and felt it wasn't quite cricket to be accepting honoraria."

When he was elected to the Senate, he closed his law firm, gave up all practice, resigned directorships of several corporations and converted his relatively modest financial interests into government bonds. His $42,500 Congressional salary, plus interest from the bonds, provide his only income today, but he has not changed his stand against accepting honoraria:

"If a speech or an appearance has something to do with my official duties, I shouldn't charge for it. And if it doesn't have something to do with those duties, I shouldn't make it. It's as simple as that."

He speaks out against recurrent proposals to raise Congressional pay. "I have never voted to raise the pay of members of a legislative body," he says. "There ought to be some element of sacrifice in a public service job. I can make out on a federal salary."

Sen. Allen and his wife live quietly in a Virginia suburb across the Potomac from Washington. Their four children are grown and on their own.

"The Senate is our life," he says of himself and Mrs. Allen—who busies herself with charitable and other activities of Senatorial wives—and the idea of "getting away from it all" holds no appeal for them.

A weekend away from his office might consist, as a recent one did, of researching and writing a speech to be delivered on an upcoming legislative measure.

Dutch treat dining

Sen. Allen keeps in direct touch with his constituents through Dutch treat breakfasts, lunches and dinners held from time to time in different parts of his state, which has a mixture of varied industry—including steel and aluminum, shipping, textiles and coal mining—and agriculture.

In addition to his other Senate activities, Jim Allen has been leading his chamber's opponents of court-ordered racial busing in public schools. He sees growing support for his viewpoint.

"As long as it was a Southern problem, a lot of people outside our area thought busing was fine," he says. "But as other areas find they must confront this issue themselves, there is less enthusiasm.

"A lot of people expected that some of us in the South would get a feeling of satisfaction from the trouble that has erupted in Boston over busing, but I don't think any member of Congress has any thought except: 'Come on and help us concentrate on educating our children, not on busing them.' "

Looking ahead, Sen. Allen is backing his longtime good friend and close political associate, Gov. George C. Wallace, for the Democratic nomination for President, because "I feel he's on the right track philosophically."

While his colleagues pay tribute to Jim Allen as a champion at parliamentary skirmishing in the grand tradition of such Senators as Georgia's late Richard B. Russell, he plays down such notions.

Asked how extensively he has studied the rules that have enabled him to take on the Ribicoffs, Fulbrights, Kennedys, etc., the junior Senator from Alabama says only: "I've glanced at them occasionally."

—ROBERT T. GRAY

Labor Flexes Its Legislative Muscle

The unions have a shopping list, and they expect to bring home the bacon from Capitol Hill

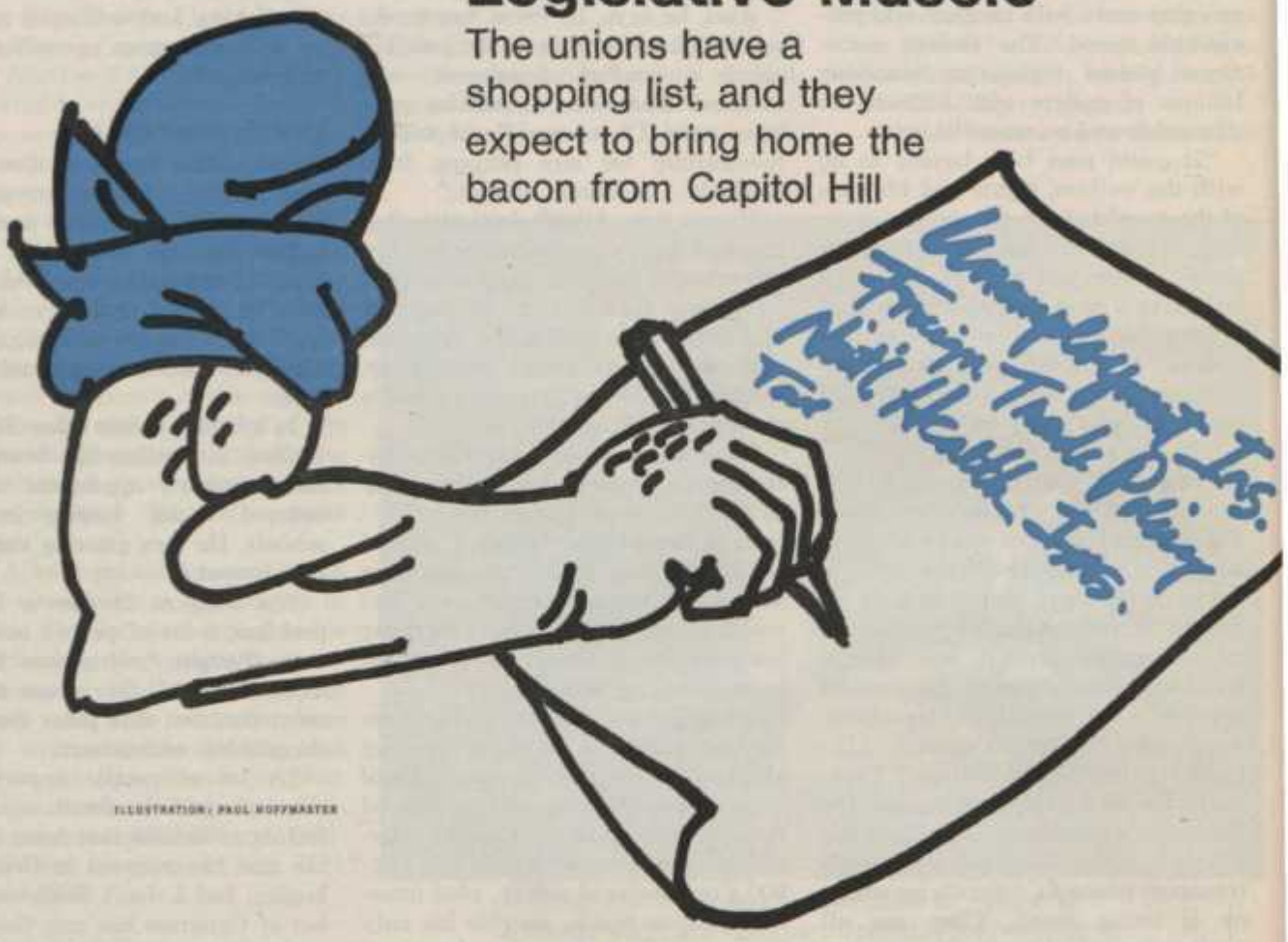


ILLUSTRATION: PAUL HOFFMASTER

This should be a year when big labor channels its efforts more toward legislative goals than toward collective bargaining.

Some 2.5 million workers will be involved in contract talks in 1975, but none of the pacesetters such as the steelworkers or auto workers are scheduled to meet management at the bargaining table.

It may be a bellwether year for organized labor on Capitol Hill. The AFL-CIO hails the makeup of the 94th Congress as a labor victory, proclaiming that seven out of every 10 candidates endorsed by its Committee on Political Education (COPE) won seats.

Evidence of union leaders' confidence was a blunt message from AFL-CIO President George Meany to all newly elected Democratic Party members just prior to a caucus of House Democrats early last month.

Mr. Meany, in essence, spelled out what labor wanted in the way of restructuring the powerful House Ways and Means Committee: Reflect the liberal tone of the Democratic majority by adding members to the Committee.

The reason for labor's attempt at arm-twisting is obvious. Four legislative areas in which it will vigorously seek involvement—national health insurance, foreign trade, unemployment insurance and taxes—fall under the Committee's jurisdiction.

House Democrats obliged the AFL-CIO chief at the caucus by upping Ways and Means' size from 25 to 37.

Probably the most prized legislative goal of big labor this year is passage of a national health insurance bill. The measure it favors was pro-

posed to the 93rd Congress by Sen. Edward Kennedy (D.-Mass.) and Rep. Martha Griffiths (D.-Mich.). Last year, Sen. Kennedy abandoned some provisions of the bill—that labor wanted—in an unsuccessful effort to get the measure moving. Now, labor isn't interested in compromise and will exert maximum pressure on Congress to go with the original version.

"That compromise accomplished nothing," says Jerry Wurf, president of the American Federation of State, County and Municipal Employees (AFL-CIO).

Mr. Wurf's fast-growing union, with a membership now of 700,000, is the driving force behind another AFL-CIO legislative push—for a law that would grant government employees at federal, state and local levels the right to strike.

Organized labor has been chipping away steadily at restrictions on government workers' actions, as witnessed by a provision in the campaign spending reform bill signed into law in October. It eliminated a Hatch Act section outlawing voluntary political campaign activity by state and local public employees working in agencies that receive federal money.

The unions have a full shopping list in addition to health care and public employee legislation.

Organized labor wants the government to require allocations of credit to "socially useful" projects such as housing. While unions will continue to plump for pumping new life into the sagging construction industry that way, they will redouble their efforts to fight off attempts to repeal the Davis-Bacon Act, which increases the costs of much construction by setting wage rates.

Another goal of unions is to block what they call "the export of jobs." The United Autoworkers will be in the forefront here, along with the AFL-CIO. The UAW will urge more restrictions on multinational corporations, such as requiring public disclosure of agreements between them and foreign governments.

A favorite of labor will be the National Employment Priorities Act, introduced by Sen. Walter Mondale (D.-Minn.) and Rep. William D. Ford (D.-Mich). Commonly known as the "Plant Relocation Bill," this proposal would require two-year advance notice to the federal government of anticipated plant relocations or closings. If the Labor Department found such actions "unjustified," the businesses involved could lose certain federal tax benefits for 10 years.

With unemployment predicted to rise to 7 per cent or more by midyear, labor will lobby for further expansion of public service job programs and widening and lengthening of unemployment compensation coverage. A concerted effort will be made to completely federalize the unemployment compensation system.

Again this year, unions will lobby strenuously in state capitals for repeal of right-to-work laws, which currently are in effect in 19 states. But organized labor could save itself a lot of effort if it could get Congress to repeal Section 14 (b) of the Taft-Hartley Act, which enables states to enact these laws outlawing compulsory union membership.

Though in the past there was little likelihood of repeal, the makeup of the 94th Congress gives union leaders new reason for hope. END

DOUBLE-DIGIT INFLATION AND A DOUBLE-BARRELED THREAT

The textbook on collective bargaining may well be tossed out the window this year.

Normally, organized labor concentrates on improving extra benefits in recessionary periods and on take-home pay in times of economic growth.

But employers going to the bargaining table in 1975 can expect to get both barrels from the unions.

Reason: double-digit inflation occurring simultaneously with recession.

Says W.J. Usery Jr., director of the Federal Mediation and Conciliation Service: "Most unions will insist that wage rates in new agreements be protected by a 'full cost-of-living escalator' or equivalent."

The new agreement involving the largest single group of workers this year will be one covering 605,000 employees of the U.S. Postal Service. Their contract expires in July. A New York City Board of Education contract with 68,550 teachers and other employees is up in September.

No private employer faces new contract negotiations involving such large blocs of employees. Major contract expirations in 1975 include:

January and March: 50,000 workers for large petroleum companies. February: McDonnell Douglas Corp., 11,000 workers. March: National Cash Register Co., 8,000 workers; and Metropolitan Life Insurance Co., 10,500.

April: General Dynamics Corp., 6,100 workers; and Consolidated Edison Co. of New York, 18,000. May: Timber Operators Council, 22,000. June: Newport News Shipbuilding and Drydock Co., 15,000; Atlantic, Gulf, Great Lakes and inland water shipping agreements, 11,500; PPG Industries, Inc., 5,500.

July: Pacific Maritime Association, 12,200. August: Nabisco, Inc., 10,000; Raytheon Co., 8,000; and American Airlines, Inc., 17,150. September: Prudential Insurance Co. of America, 17,000. October: United Air Lines, Inc., 16,500.

A number of companies with labor contracts on which the calendar isn't running out this year may find that they, too, are under the union gun because of inflation. There are growing demands by some unions that contracts be renegotiated to counter the unending rise in living costs with new or revised wage escalator clauses, or interim pay boosts.

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Dr. Jones is executive vice president of the Mortgage Bankers Association of America.

Minding the National Store

The nation's business, once the domain of enterprising individuals, later the plaything of government, has been no one's business for too long.

Business policymakers have been preoccupied with everything but the normal activities of the executive suite. After a decade of inflation, excessive reliance on credit and acquisitions through unproductive paper transactions, business managers are now finding that even a generous monetary policy cannot provide enough money and credit to satisfy their habits.

Government policymakers have been preoccupied with everything but the critical issue that threatens the very fabric of the economy—inflation. The obvious facts are that the Federal Reserve has been the only inflation fighter and that it cannot do the job alone. The Administration jawboned, Congress threatened—both seeking ways to forbid the business sector from reacting to the inflation that government had spawned.

All the while, inflation continued to collect its tolls. Baby chicks were destroyed while chicken and egg prices rose. Interest rates rose to levels that only foreign borrowers and domestic speculators could afford. Astronomical prices accompanied shortages in basic materials instead of stimulating expenditures to increase production. Speculation thrived while productive activity languished. Mortgage credit became difficult to obtain at 10 per cent, while short-term bank credit was available at 12 per cent. Stock price-earnings ratios skidded to unheard of lows, and bonds went begging at unheard of highs. These were but a few of the distortions created by inflation. And no one was minding the store.

The conventional wisdom, as typically described by the media, is that credit is scarce because the Federal Reserve has pursued a tight monetary policy. In fact, the Federal Reserve could not be credited with a tight money policy when the total money supply was increasing at a 15 per cent annual rate. It was the demand for credit, spurred by inflation and the excesses it creates, that tightened credit markets and pushed borrowing costs above 100-year-old records. Yet, no financial supervisory agency had taken a single step to reduce this demand for credit that does not increase production and jobs until the Federal Reserve announced its first move in this direction on Sept. 17—quite late in the game.

Instead of thwarting the speculative borrower, who simply wants to pull off another merger or to arbitrage highly distorted interest rates and foreign exchange values, the Federal Reserve limited credit growth and let the banking system allocate the available supply. Home building has been an obvious casualty of the limited-style war the nation's central bank has fought against inflation. But the general consumer—who pays higher and higher prices because productive manufacturers are saddled with higher and higher costs of financing inventories, buying raw materials and paying labor—has also been a casualty.

The war has not been waged through control of fiscal policy—how much we are taxed and how much our government spends. Federal deficits have been a major source of the inflation of the past decade. Both the Administration and Congress have participated in profligate spending programs. Neither has moved effectively to bring fiscal policy under control.

Watergate has preempted the time and efforts of both the Administration and Congress, but this is hardly a valid excuse for inaction when inflation is rushing toward a perilous climax. Without doubt, a tax cut at this juncture of the economy's ill health is unthinkable. As for the diversion of cutting individual taxes while increasing business taxes—surely the proponents must realize that individual consumers pay the cost of taxing business in the price of the goods they buy. Surely, Congress as a whole will not permit a few to lead us further into fiscal tomfoolery and economic destruction.

Congress must know by now that the public has had enough. People are ready to sacrifice and follow trusted leadership. With new faces in the councils of the Administration, new initiatives are possible. It is too early to determine whether President Ford's economic policies will turn back the tide of inflation, but it is significant that he has made it clear he intends to mind the store. He has congratulated Congress on its efforts to bring order to the budgeting process and has promised to cooperate in the task of bringing fiscal policy under control. He recognizes the simple fact that the U.S. economy and its institutions have withstood shock after shock with remarkable calm and underlying strength. Mr. Ford recognizes the need for leadership. And, most important of all, he

recognizes that the nation's greatest strength and, therefore, its biggest hope lie in the character of the American people.

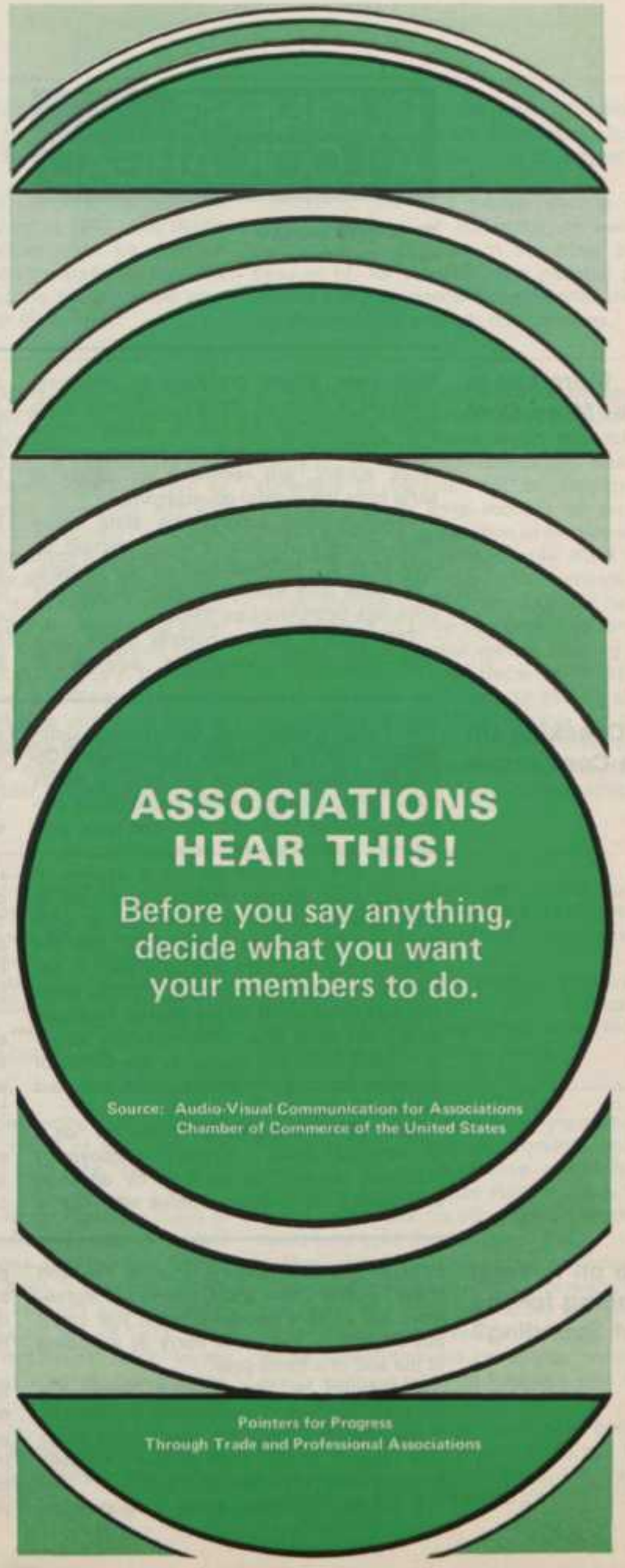
Too many political leaders simply do not believe that the public would support a credible program to stop inflation, because it would mean personal sacrifice. Yet, the public supported the extreme measures of a wage-price freeze, in August, 1971, and wage and price controls three months later. And the public pulled the nation through last fall's fuel crisis.

Misconception of the character of the American people stands out as the principal barrier to programs that would end the inflation. It is a barrier because the economy has become the handmaiden of elected officials, and they are unwilling to ask the voters for sacrifices. It is a barrier because the professional economist, who knows full well what course is necessary, discards appropriate actions on the theory that they are not politically feasible. Both the politician and the economist err in making the assumption that sound economics is bad politics. That assumption is patently wrong and dangerous.

Political leaders do not need to back away from economic reality but they do need to lead, to level with the public, and to design programs that are equitable and, above all, credible. Political leadership must face the reality of inflation. The public is not so economically illiterate that it does not understand that profligate federal spending has been gnawing away larger and larger chunks of its weekly paycheck, and that inflation cannot be stopped without costs.

President Ford seems to have grasped this simple fact. Other political and business leaders, as well as the economic fraternity, must follow his initiative or inflation will be nurtured by palliatives instead of destroyed by programs that accept the obvious hard decisions.

The economic principles involved are simple enough. The political principles demand nonpartisan leadership that has confidence in the people, that can restore the people's confidence in their government, and that is willing to mind the store.



BUSINESS: A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

More Loans at More Cost

Businesses whose problems in obtaining loans at a time of money tightness have been aggravated by some states' usury laws, which further put the screws on the funds supply, are receiving an assist of sorts from the federal government.

Federal rules superseding state usury laws are now in effect and will remain so until July 1, 1977—except where legislatures pass laws exempting their states from coverage by Public Law 93-501.

This federal statute permits small business investment companies, commercial banks and savings and loan institutions to make business and agricultural loans of $25,000 or more at a rate as high as the maximum set by Uncle Sam—even if it's higher than a state's usury law allows.

The permissible federal interest rate will be based on the discount rate for 90-day commercial paper in effect at the time of the loan in the Federal Reserve district where the lender is located, plus a maximum of 5 per cent. If the discount rate is 8 per cent, for example, the federal interest rate ceiling would be 13 per cent.

Checking Up on Contractors

The Equal Employment Opportunity Commission and the Treasury Department's Office of Revenue Sharing are holding hands these days, a development which could signal headaches for some state and local government agencies—and their contractors.

The 1972 law that set up a system of turning over certain federal revenues to state and local governments has an anti-discrimination clause, and EEOC and the Treasury agency have signed a pact to assist each other in enforcing it. If EEOC spots a situation where it thinks shared revenues have been used in a "discriminatory activity," it will refer the matter to the Office of Revenue Sharing. Violations could lead to a cutoff of funds.

Also, EEOC will give the Treasury, "on a confidential basis," minority employment statistics required to be filed by all state and local government agencies with 100 or more employees. The Office of Revenue Sharing will reciprocate by helping EEOC determine if public employers with 15 to 100 on their payrolls have kept minority employment records as required by law.

Most agencies that are revenue sharing recipients do not fall under EEOC's jurisdiction, which covers public employers of 15 or more people. Of 39,000 government units that have received the nearly $16 billion dispensed thus far, 29,000 were in the below-15 category.

However, they are subject to the revenue sharing law's clause banning the same practices banned by the Civil Rights Act of 1964, with the exception of religious discrimination.

So are all contractors retained by revenue sharing beneficiaries. The EEOC-Treasury team-up means these businessmen, too, will be under closer scrutiny.

A Curb on Federal Spending for the Sake of Spending?

Federal financial finagling is under fire, and if the Federal Grant and Cooperative Agreement Act of 1974 becomes law it just might put an end to the usual flurry of spending at the end of a fiscal year.

Sponsored by Sen. Lawton Chiles (D.-Fla.), the bill, which has passed the Senate, is designed to control the way federal agencies spend some $100 billion annually through direct contracts and grants.

It would eliminate some long-standing practices by establishing government-wide standards spelling out precise requirements under which each type of legal instrument may be used.

Sen. Chiles says federal agencies admit they make grants, instead of awarding contracts, in order to beat the system—they avoid the legal requirements placed on contracts and at the same time manage to dump their budgeted funds before the fiscal year expires.

The Merger Urge Is Down, but Not Out

While the merger fever isn't as white hot as it was back in the 1960s, it's still alive and kicking, the Federal Trade Commission reports.

The agency says mergers declined approximately 10 per cent in 1973 from 1972's totals. The 1974 picture won't be unveiled until this spring, when the statistics come in, but thus far the decline seems to be continuing at a similar or higher rate.

Still, mergers are far from uncommon. In 1973 there were 2,826 domestically (compared to 3,158 in 1972). The 55 largest involved $2.9 billion in assets.

Primarily, the 1973 merger decline was one in numbers of horizontal or vertical combinations—of firms in the same business or of, for example, raw material producers and processors. Conglomerate mergers showed little change, numberswise.

Tighter Rules for Proof of Age of Young Workers

Employers of teen-agers seem destined for another load of government paperwork, but it may be a help of sorts.

Under a proposed Labor Department rule, in the near future all employers covered by the federal Fair Labor Standards Act will have to require a birth certificate or reasonable substitute before hiring a youngster.

Congress last year amended the Fair Labor Standards Act, authorizing a civil-penalty fine of up to $1,000 for each child labor violation, and giving the Secretary of Labor permission, if he felt it necessary, to require that employers obtain tangible proof of age.

So the Department has proposed that all FLSA-covered employers of nonagricultural employees under the age of 19 and agricultural employees under 17 maintain proof-of-age records.

Preferred documents will be state age or employment certificates, birth certificates, or true copies. If these aren't available a family Bible, or school records and a sworn statement by parents, will do. Employers, who will have to keep records for two or three years after termination of employment, will have to show a reasonable effort was made to obtain the preferred documents.

The greatest impact, probably, will be felt by employers of some seasonal work forces.

While the additional record keeping will be burdensome, Labor Department experts say it will force employers to get the proof of age they should have anyway for their own protection against unintentional violations of the Occupational Safety and Health Act, and other federal regulations affecting the workplace.

Small Firms Get a Larger Slice

Despite energy and material shortages, which hit them harder than they did the big boys, small businesses got 33.3 per cent of the federal government procurement dollar in the fiscal year that ended last June 30.

Small firms received $15.4 billion, of which $10.3 billion was in prime contracts and $5.1 billion in subcontracts.

The total was 10 per cent higher than in 1973, and the largest dollar slice of the pie since the Small Business Administration was created in 1953.

SBA is shooting for another 10 per cent gain in fiscal year 1975. In 1974 about 80 per cent, dollarwise, of small firms' federal contracts was for defense needs.

Futures Are Now for Bakers

Hedging in the commodity grain markets could become the name of the game for bakers, and seed corn and sweet corn processors.

In the past, only certain primary users of grain, such as millers, have been eligible to hedge transactions through the futures markets. This has been a statutory limitation. But under the recently enacted Commodity Futures Trading Act of 1974, Congress passed the regulatory baton to the Commodity Futures Trading Commission, which is expected to be fully operational by April 21.

To ease possible hardships until then, the Act authorizes the Secretary of Agriculture to set temporary rules.

So bakers have now been permitted to hedge unfilled annual requirements, i.e., allowed to buy wheat futures contracts for protection against price rises in flour. This could be a break for consumers because it could help hold down bread prices.

Also, hedging has been made easier for seed corn and sweet corn processors, who can now use "bushel value equivalent" rather than actual physical quantity. In addition, new definitions have been issued to clarify hedging rules for livestock and poultry producers.

The temporary rules could well become permanent. The new Commission will have until July 20 to overturn them, but it's not expected to upset the bread cart.

EDITORIAL

More Golden Years?

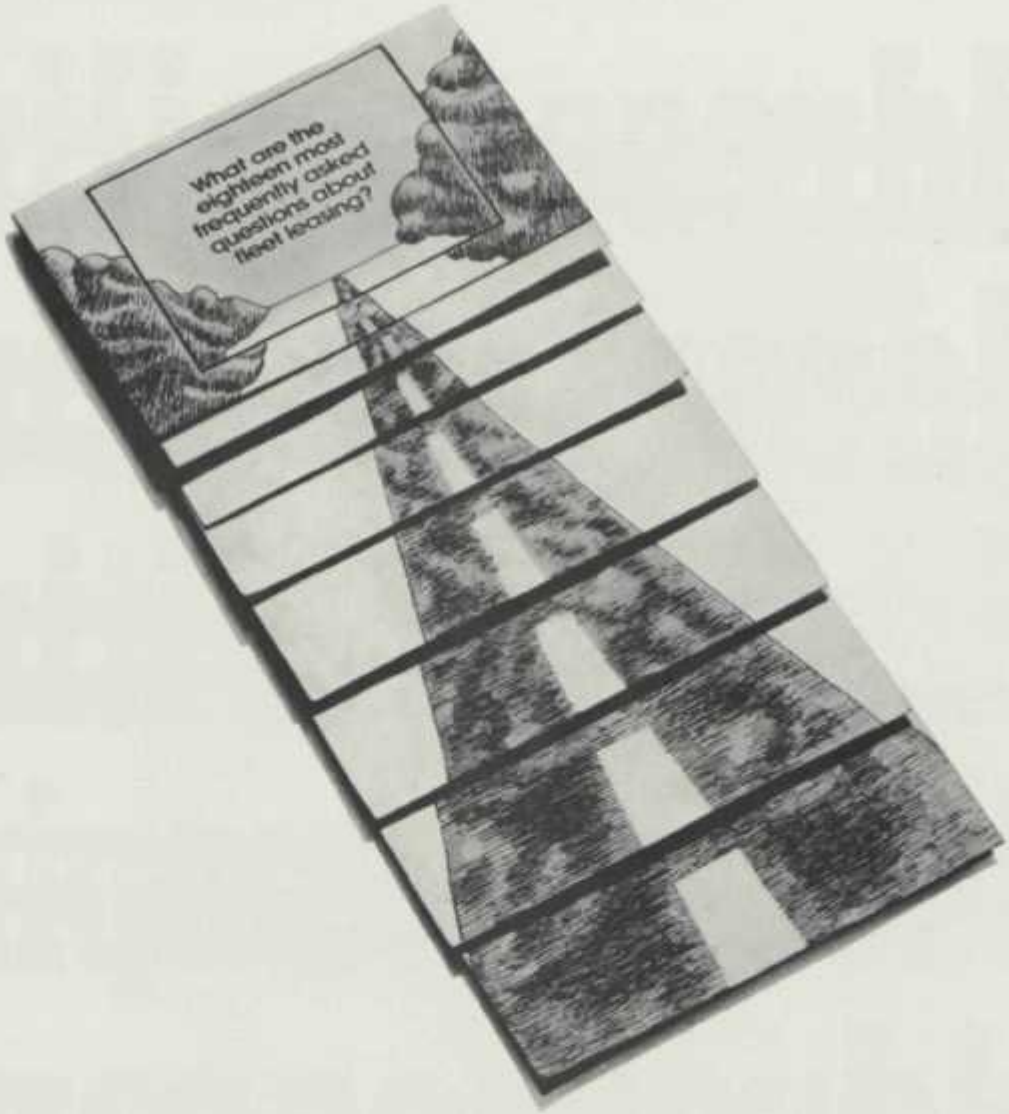
Our economic thinking is in danger of being badly warped by living with inflation and recession at the same time.

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